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Toyota to review quality tests

By Norihiko Shirouzu

NAGOYA, Japan—**Toyota Motor** Corp.'s apologetic chief quality officer said the auto maker's massive recall may prompt soul-searching at the company about its process of checking reliability, possibly altering the way designers scrutinize parts in the future.

In the first detailed comments by a Japanese headquarters executive since the U.S. recall and sales and production halt were announced last month, Toyota Executive Vice President Shinichi Sasaki told reporters here that the company may not have done enough to look at how parts interact with each other, and how that could cause system failures.

Mr. Sasaki said the reliability of individual components is always regularly checked. But he added the company may have overlooked the need for "the kind of reliability tests that look into how individual components perform as a whole inside the car under different environmental conditions."

"We need to do those checks more thoroughly."

Mr. Sasaki said the defective acceleration pedals, which were identified last month as a cause of sudden unwanted acceleration, were susceptible to moisture, and that condition in some cases caused them stick in the depressed position.

He noted this was not understood until recently because of the lack of research on how those accelerator pedal systems were affected by certain climate conditions inside the recalled cars, which caused the harmful moisture to build inside the pedals.

It was a remarkable admission after a remarkable week for a company that has long prided itself as setting the global design and manufacturing standard for quality control.

Mr. Sasaki, a 63-year-old veteran engineer with nearly 40 years with Toyota, also announced that the company

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■ Toyota sparks political ire Page 24

Australia rate call reflects Asia heft

By Alex Frangos

An unexpected pause in Australian interest-rate increases shows China's growing influence on the monetary policy of its trading partners.

The Reserve Bank of Australia was expected to raise its benchmark rate a quarter-percentage point Tuesday, after raising rates three times since October. Instead, it surprised the market by holding steady, noting among other factors China's efforts "to reduce the degree of stimulus to their economy."

Australia's economy is heavily oriented toward exporting commodities such as coal and iron ore to supply China's stimulus-driven infrastructure and home-building industries.

Last month, China moved to reduce commercial-bank lending and increase rates on some central-bank bonds. Because a reduction of credit in China will ripple through to demand for Australia's raw materials, China essentially did Australia's tightening for

Please turn to page 20

■ Australia's central bank delivers surprises 36

Anwar plans to call Malaysia's prime minister to testify in sodomy trial

Associated Press

Anwar Ibrahim's plan to call Prime Minister Najib Razak and his wife as witnesses in the high-drama case appears designed to embarrass the premier and emphasize his view that the trial is more political than legal. A guilty verdict could effectively end the opposition leader's political career. Above, Mr. Anwar and his wife, Wan Azizah, leave the first day of court proceedings Tuesday in Kuala Lumpur. **Page 4.**

Claim to Wang estate is rejected

By Jonathan Cheng

A Hong Kong judge ruled against the feng shui master of heiress Nina Wang in his efforts to win control of her multibillion-dollar estate, a turning point in the battle over one of Asia's great fortunes.

Tony Chan claimed to be Ms. Wang's longtime lover and beneficiary, after her death in 2007. In his ruling Tuesday, Hong Kong Judge Johnson Lam deemed the 2006 will that Mr. Chan produced a "forgery."

Ms. Wang won control of her husband Teddy Wang's multibillion-dollar Chinachem property empire in 2005 after his kidnapping and disappearance in 1990 and a protracted court battle with Mr. Wang's father that involved three competing wills.

Tuesday's decision, which Mr. Chan's lawyer said he planned to appeal, grants Ms. Wang's estate to the Chinachem Charitable Foundation Ltd., which was named by Ms. Wang in a 2002 will as the sole beneficiary of her fortune.

The foundation, she said in her will, was to create a type of Nobel Prize for China—a prize that, according to the will, she envisioned as being administered by the United Nations secretary-general, the Chinese premier, and the chief executive of Hong Kong.

"The 2002 will was the product of Nina's charitable aspiration, an aspiration consistently held by her both before and after her probate dispute," Judge Lam wrote in his verdict.

A lawyer for the foundation, Keith Ho, said he was "very happy" with the ruling.

AFP/Getty Images

Feng shui master Tony Chan.

Ms. Wang's brother, Kung Yan-sum, said at a news conference that the verdict was a victory, "not only for our family, but for society at large, which my sister's foundation was to benefit."

Mr. Kung described Mr. Chan's attempts to contest Ms. Wang's will as wasteful. "If it weren't for him, the foundation's work could have begun smoothly three years ago," he said.

Jonathan Midgley, a lawyer for Mr. Chan, said "Mr. Chan is extremely disappointed in this judgment today, but he appreciates how difficult this sort of trial is to judge."

He added that Mr. Chan's "position is today the same as it's always been, namely that the will in question was given to him by Nina and, accordingly, it is inconceivable that that will is a forgery."

During the four-month trial, Mr. Chan said his relationship with Ms. Wang began in 1992 when she hired him to do feng shui work.

Ms. Wang's two sisters and brother testified that Ms. Wang had remained in love

Please turn to page 11

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PAGE TWO

What's News—

* * *

Business & Finance

■ **China's increase in inequality** has leveled off in recent years, the OECD said, suggesting Beijing is starting to make progress in tackling a major social problem. The organization's report credited more welfare spending in rural areas and increased migration to cities with helping to arrest a widening of the income gap. **3**

■ **A showdown over the future** of proprietary trading by U.S. banks was under way as former Fed Chairman Paul Volcker prepared to testify at a Senate Banking Committee hearing. **22**

■ **Ford posted a 25% increase** in January U.S. light-vehicle sales as fleet sales more than doubled and overshadowed a 5% drop in retail business. **24**

■ **U.S. stocks rose** on better-than-expected pending home sales and a profit from builder D.R. Horton. In Asia, Australian shares climbed after the central bank unexpectedly kept interest rates on hold. **31**

■ **Japan's regulator is examining** whether KDDI's planned $4 billion purchase of a major stake in Jupiter Telecommunications violates share-transaction law. **21**

■ **Fitch downgraded** China Citic Bank and China Merchants Bank, highlighting mounting concerns that China's banks may be exposed to bad loans. **27**

■ **BP swung to a net profit** in the fourth quarter, but refining margins remained weak. **25**

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■ **Softbank's profit rose 41%** in the fiscal third quarter, helped by iPhone sales. **23**

■ **China Erzhong fell below** its IPO price on its first day of trading, the second firm to do so in Shanghai since China resumed approving listings in June. **30**

■ **EON Capital rejected** a buyout offer from Hong Leong Bank, dashing Hong Leong's hopes of acquiring EON's banking assets. **22**

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■ **Seven people pleaded** not guilty in Manhattan to criminal charges tied to a wide-ranging insider-trading probe. **29**

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■ **Cnooc expects** its crude-oil and natural-gas production to rise 22%-27% in 2010 as major projects in China come onstream. **25**

* * *

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■ **Malaysian opposition leader** Anwar said he plans to call Prime Minister Najib and his wife as witnesses at his sodomy trial, a move that appears designed to embarrass the premier politically. **4**

■ **Iran's leading opposition** figure lashed out at the country's ruling class, saying that despite the Islamic revolution that toppled the shah 31 years ago, tyranny and dictatorship remain. **8**

■ **U.S. drones fired 18 missiles** into a Pakistani sanctuary for al Qaeda and Taliban fighters on the Afghan border, killing at least 10 militants, local officials said.

■ **Afghanistan's Karzai arrived** in Saudi Arabia to get help in promoting talks with the Taliban. **6**

■ **China launched** a 10-day emergency crackdown on tainted milk products after several were found back on the market.

■ **The U.S. is renewing a push** to get Tokyo to give rights to American parents whose children are taken to Japan by ex-spouses. **6**

Associated Press

The science-fiction epic 'Avatar' and the Iraqi war drama 'The Hurt Locker' led the Oscar race with nine nominations each, including best picture, as actress Anne Hathaway and the Academy of Motion Picture Arts and Sciences President Tom Sherak announced Tuesday the contenders for the 82nd Academy Awards. For the first time since 1943, the Oscars include 10 best-picture nominees instead of the usual five. More at **WSJ.com/Speakeasy**

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With the rapid development of clean-energy technologies, what will our lives look like in the next 20 years?

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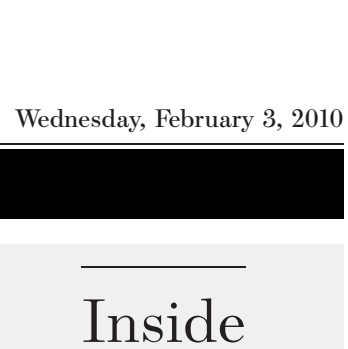

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WORLD NEWS

China's inequality seen leveling off

OECD report says more welfare spending in rural areas and migration to cities kept income gap from widening

By Andrew Batson

BEIJING—The increase in inequality in China has leveled off in recent years and could be less severe than previously thought, the Organization for Economic Cooperation and Development says, suggesting that Beijing is starting to make progress in tackling one of its biggest social problems.

The OECD, in its economic survey of China published Tuesday, said more welfare spending in rural areas and increased migration to cities helped arrest a widening of the income gap. The Paris-based organization urged China to lower what is still a fairly high level of inequality by further boosting social programs and eliminating discrimination against rural residents.

The report is the OECD's second major study of China, which isn't a member of the organization. China's economy is on pace to surpass Japan this year as the world's second-biggest after the U.S. The OECD urged China to take a range of measures to liberalize its economy, such as freeing up interest rates to encourage banks to lend more to small companies, and privatizing state-owned enterprises. It also said that allowing the currency to appreciate would help the government manage the economy better.

China's breakneck economic growth of the past three decades has pulled hundreds of millions of people out of poverty. But the incomes of people at the top have risen much faster than the rest, creating new divisions in a once-egalitarian society. Tensions between property developers and dispossessed farmers, and between factory bosses and their rural work force, are often a flashpoint for social conflict. That has pushed China's government to narrow the gap, and officials have repeatedly said they will do more to boost incomes of the worst-off.

"We've already seen, in the last five years, a stabilizing of the disparities," Richard Herd, a senior economist at the OECD, told a press briefing in Beijing. Much of that is due to an enormous movement of rural people off farms and into urban jobs, a change which allows them to raise their incomes significantly. "You've had a major adjustment in the labor market since the mid-1990s," he said.

China's income inequality as measured by the Gini index—a scale on which zero is perfect equality and 100 is perfect inequality—was at 49.6 in 2005, already greater than the U.S., according to the Chinese Academy of Social Sciences. But the OECD, using what it says are better estimates of price changes and the ranks of undocumented rural migrants in cities, puts the Gini index for 2005 at 41, and says the measure of inequality edged down to 40.8 by 2007.

The OECD's numbers indicate that inequality remains higher in China than in the U.S. and most other developed countries. But China's inequality remains less severe than that of South Africa, Brazil, Chile, Russia or Mexico. Many domestic commentators have urged China to narrow the income gap and avoid the so-called "Latin Americanization" of its economy, a reference to the region's chronic wealth disparities.

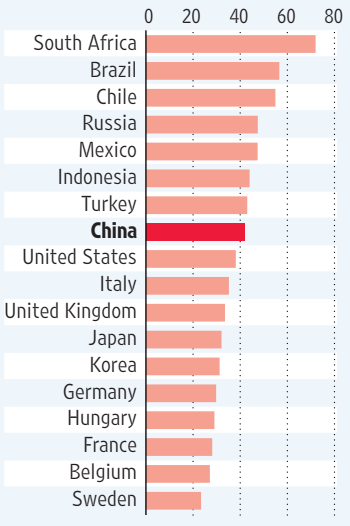
Chinese officials often focus on the gap between the country and cities. Last year, per-capita annual income in urban areas was about $2,500, more than three times the $750 in rural areas – a ratio that has risen over the past decade.

But that comparison doesn't take into account the growing number of rural migrant workers in urban areas, or the fact that prices for most things are cheaper in rural areas. After adjusting for those factors, the OECD says, average urban incomes are actually closer to two times rural ones, not three.

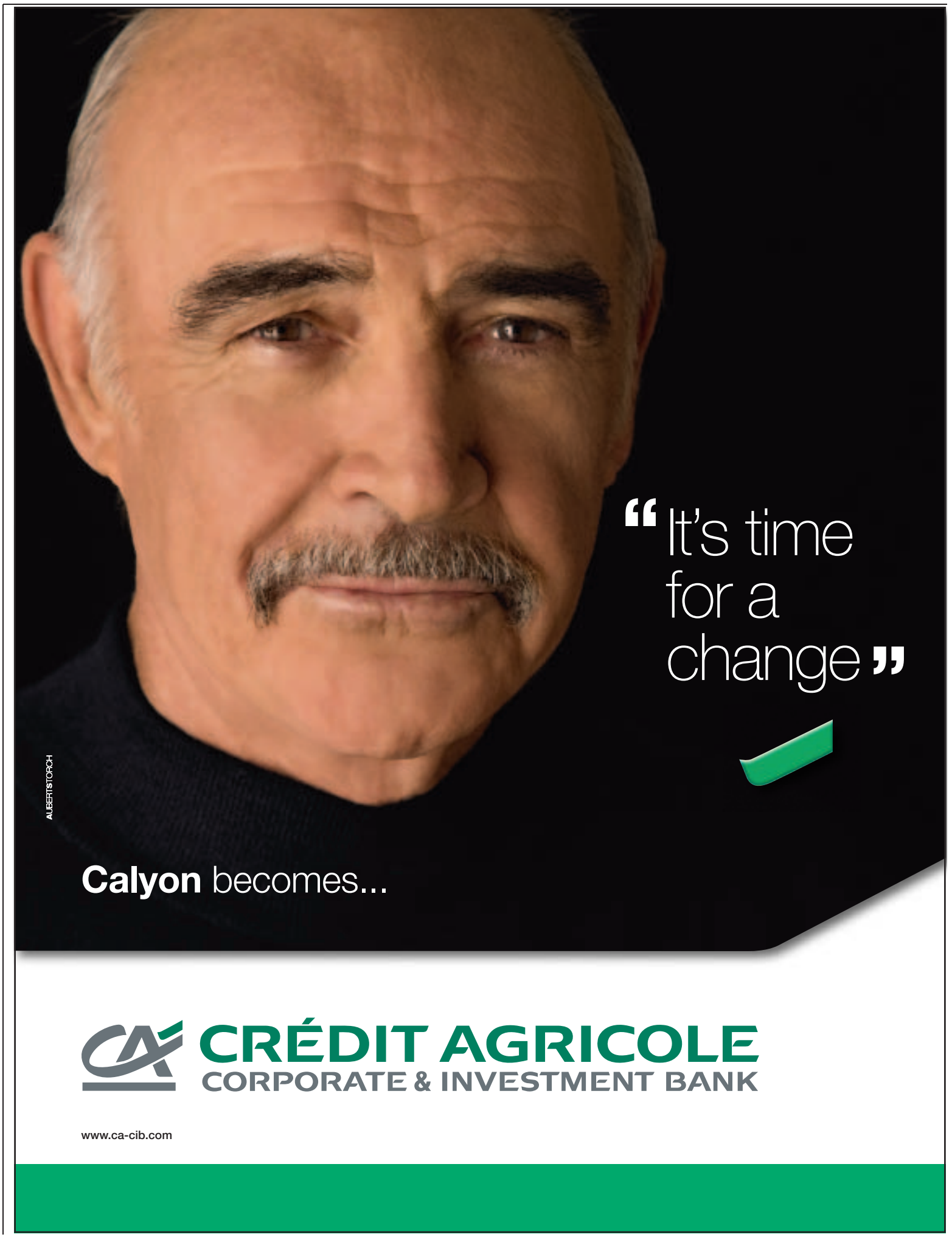
Much of the gap between urban and rural incomes comes from urban workers having more education than rural ones, Mr. Herd said. He urged China's government, which has already cut school fees, to make 12 full years of education universally available in the countryside.

Measure of equality

Gini index of income inequality; data from 2007



Source: Organization for Economic Cooperation and Development



WORLD NEWS: ASIA

China to punish U.S. defense firms

China on Tuesday renewed its pledge to punish U.S. companies that are involved in Washington's plan to sell weapons to Taiwan, in another sign of Beijing's increasingly assertive foreign policy.

*By **Aaron Back in Beijing** And **Ting-I Tsai in Taipei***

At its semiweekly media briefing, China's foreign ministry criticized the Obama administration's decision to sell antimissile systems, helicopters and other arms to Taiwan in a package valued at a total of $6.4 billion. Spokesman Ma Zhaoxu didn't give details of the sanctions but pledged to retaliate against companies involved in the sale.

The self-governing, democratically ruled island of Taiwan split with mainland China in 1949. Beijing claims Taiwan as part of its territory and has long protested U.S. weapons sales there, but in past disputes, it has focused its ire on the U.S. government.

The companies involved in the sale belong to the U.S. Foreign Military Sales Program, which obligate participating companies to provide arms and weapons system to U.S. allies. Even though this means the companies—**Raytheon** Co., **Boeing** Co., **United Technologies** Corp. and **Lockheed Martin** Corp.—have no choice, some have been steadily targeted by China for years.

"The Chinese started taking punitive actions against Raytheon several years ago for selling arms to Taiwan, and Raytheon shut down its office in Beijing," said Bonnie Glaser, senior fellow at the Washington-based Center for Strategic and International Studies.

According to Raytheon's Web site, the company has delivered radar and air-traffic-management systems to 16 Chinese airports, including Beijing, Guangzhou, Shanghai and Kunming. It also signed a contract with the Northeast Regional Air Traffic management Bureau of the Civil Aviation Administration of China to supply an air-traffic-control system for Shenyang Airport. Raytheon officials couldn't be reached for comment.

Boeing and United Technologies, which have been actively operating in China, are the most likely to suffer from Beijing's sanctions, analysts said. "Boeing is obviously the most concerned as it has a huge stake in commercial aircraft sales to China," Ms. Glaser said. United Technologies couldn't be reached for comment.

United Technologies will provide Taiwan with 60 Black Hawk helicopters valued at $3.1 billion. But the company is a broadly based conglomerate, with 16,000 employees in China. It was a major supplier to Olympic projects, having won 69% of the heating, ventilation and air-conditioning contracts awarded for the Beijing Games, including contracts for the "Water Cube" National Aquatics Center. UTC's unit Sikorsky, which makes the Black Hawk helicopter, is building multipurpose S-76 helicopter airframes in China under a contract with AVIC II, the state-owned aviation conglomerate.

The package also includes 114 advanced Patriot antimissile systems, valued at $2.8 billion and made by Lockheed Martin and Raytheon. Lockheed couldn't be reached for comment.

A relatively small part of the package are 10 Harpoon antiship missiles made by Boeing. Boeing stands much to lose from any sanctions as it has extensive commercial interests in China's civil aviation market. Speaking at the Singapore Air Show, Randy Tinseth, vice president of marketing for Boeing Commercial Airplanes, said, "It's a government-to-government issue and it's premature to speculate the impact on our industry or business."

China's threatened sanctions come as the country has been increasingly belligerent in its tone toward foreign governments.

China also on Tuesday blasted the Obama administration for a planned meeting between the president and the Dalai Lama, the spiritual leader of Tibet.

Anwar to call Malaysia's premier in trial

By James Hookway

Malaysian opposition leader Anwar Ibrahim said he plans to call Prime Minister Najib Razak and his wife as witnesses at his sodomy trial—a move that appears designed to embarrass the premier politically, and extract as much drama as possible from a case that could see Mr. Anwar jailed for 20 years, effectively ending his political career.

Many Malaysians already are transfixed by the proceedings, which began at the High Court in Kuala Lumpur Tuesday. Speaking to supporters chanting "justice" and "reformasi," the Malay word for "reform," Mr. Anwar promised further plot twists by saying Mr. Najib and his wife, Rosmah Mansor, met with one of Mr. Anwar's former aides in 2008 and encouraged him to file the sodomy charge against the opposition leader—something that Mr. Najib has repeatedly denied and his spokesman again denied Tuesday.

It is unclear whether Mr. Najib will be asked to testify, and his spokesman didn't comment on whether Mr. Najib would want to. He has previously acknowledged meeting Mr. Anwar's former aide, Saiful Bukhari Azlan, and said he told him to make up his own mind whether to file a case against Mr. Anwar for sodomy, a criminal act in Malaysia. Mr. Saiful said he filed his case by himself.

Agence France-Presse/Getty Images

Anwar supporters try to save a banner from security officials in Kuala Lumpur, where the opposition leader's trial began.

By attempting to bring Mr. Najib directly into the proceedings, political analysts say Mr. Anwar is trying to emphasize his view that the trial is more of a political than a legal process. He regularly describes the sodomy allegation as part of a political conspiracy to derail Malaysia's opposition movement, which in 2008 broke the ruling National Front's two-thirds parliamentary majority for the first time in decades. Malaysia's leaders deny the charges are part of a political plot.

"They consider me a major threat. I am not a threat to Mr. Najib, I am just an alternative," Mr. Anwar told supporters, Reuters reported.

The U.S. State Department and human-rights organizations such as Amnesty International have raised concerns over whether Mr. Anwar will receive a fair trial. Mr. Anwar was arrested and jailed on similar charges in 1998 before his conviction was overturned on appeal in 2004. In a statement Saturday, Amnesty International urged the Malaysian courts to drop the "politically motivated" charges against Mr. Anwar.

The trial is seen as a political headache for Mr. Najib, who took office in April 2009 with the goal of restoring the traditional strength of the ruling National Front. Analysts say if Mr. Anwar is convicted, Mr. Najib, his government and Malaysia's judicial independence could lose credibility, which in turn could undermine Mr. Najib's efforts to draw more foreign investment to the country. Mr. Najib has said he plans to push more liberalization to encourage investment.

Diplomats from the U.S., Australia, Japan and the European Union attended the first day of the trial.

If Mr. Anwar is acquitted, Mr. Najib may lose the confidence of power brokers in the National Front, and lose ground to an emboldened opposition in the run-up to national elections that must be held by 2013.

—Celine Fernandez in Kuala Lumpur contributed to this article.

WSJ.com

Online today: Readers can track Anwar Ibrahim's lengthy political career and his legal run-ins at **asia.WSJ.com**

Venezuela minister arrives in China for oil talks

By Simon Hall

BEIJING—Venezuela energy and oil minister Rafael Ramirez arrived in Beijing Tuesday for talks with government and company officials on joint-venture refinery projects and Chinese investment in his country's heavy crude oil reserves.

While Chinese oil companies didn't bid in Venezuela's Carabobo oil-rights auction a week ago, the two sides have extensive energy ties, which were recently expanded by new oil pacts.

In late December, **China National Offshore Oil** Corp. joined its two larger state-owned peers already active in Venezuela by signing a draft deal to help develop the Boyaca-3 block in the Orinoco belt in the east of the country.

Venezuela is reaching out to foreign investors to revive its oil industry, in turmoil since President Hugo Chávez nationalized it and later kicked out foreign companies such as Exxon Mobil.

Mr. Ramirez will visit Cnooc, **China National Petroleum** Corp. and **China Petrochemical** Corp., or Sinopec Group as well as meet officials with state economic planner, the National Development and Reform Commission, and China Development Bank, people familiar with his itinerary said.

In December, CNPC also signed a pact to develop an Orinoco block, which could eventually produce 400,000 barrels of oil a day.

Mr. Ramirez's globe-trotting trip happens as Venezuelan President Chávez faces falling popularity at home from a faltering economy, rising crime and deteriorating infrastructure. Weaker oil prices have further hurt Mr. Chávez's ambitions. While some foreign companies are staying out of the current bidding round for new projects, the Latin American's country's untapped oil is tempting enough for others such as **Chevron** Corp. to make an offer. China offers another attractive alternative investor for Venezuela.

Sinopec and CNPC are both considering building refineries in Venezuela, while CNPC and state-owned oil company **Petroleos de Venezuela** SA, or PDVSA, plan a major refinery in southern China's Guangdong province to process Venezuelan oil.

These moves stem from Venezuelan efforts to fund development of its huge oil reserves and diversify sales away from its traditional main market, the U.S., including by boosting sales to China to one million barrels a day.

On Jan. 26, Italy's Italy's **ENI** signed a joint venture with PDVSA to develop another Orinoco block, which ENI Chief Executive Paolo Scaroni said would involve some $18 billion in investment and would produce up to 240,000 barrels a day of crude oil by 2016.

China Customs data show that Beijing imported an average of 105,000 barrels a day of crude from Venezuela in 2009, along with slightly less fuel oil.

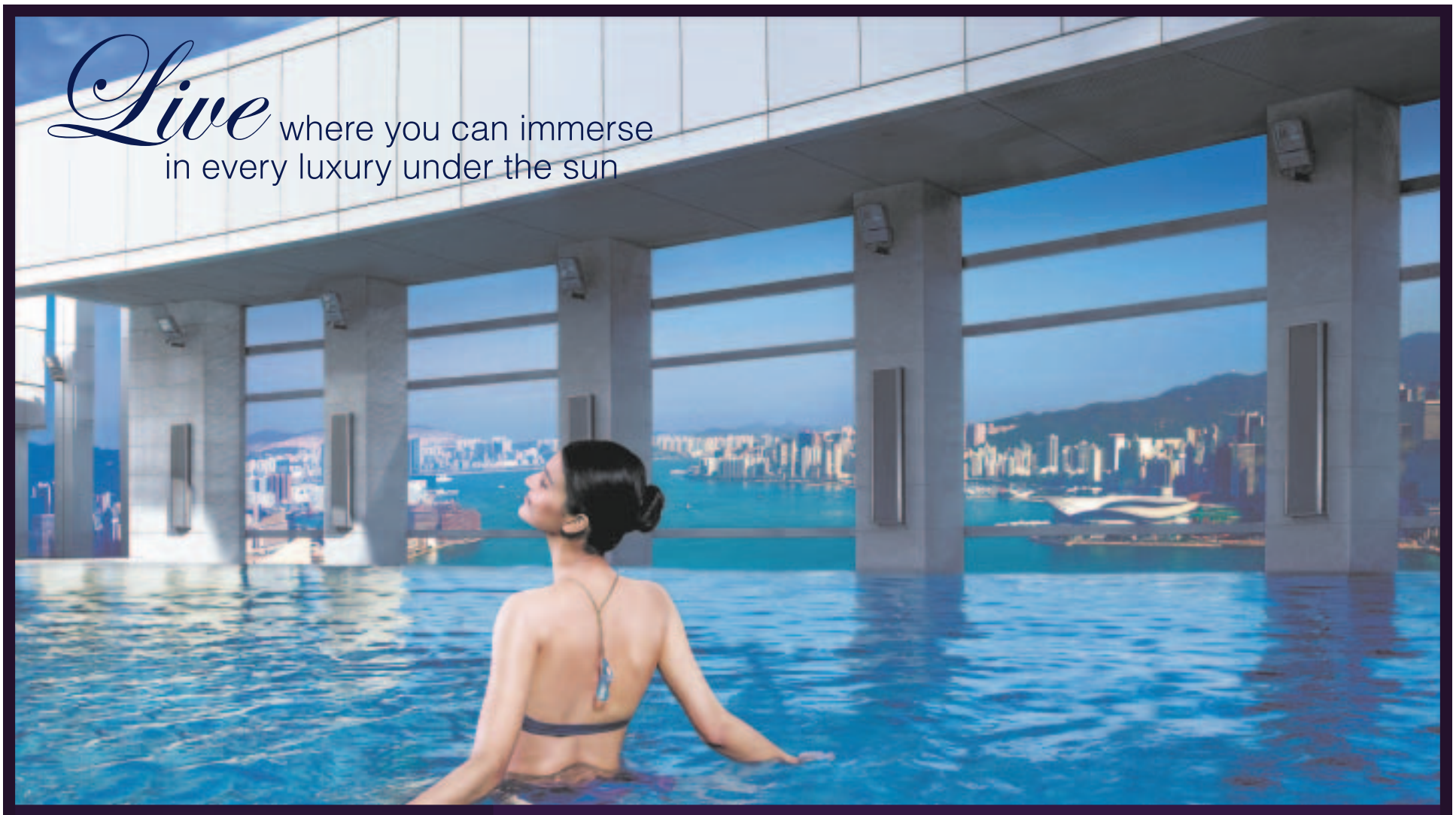
Cnooc is reviewing reserve data on the Boyaca block, which should be able to produce at least 200,000 barrels of heavy crude a day. It is due to make a final investment decision later this year.

China and Venezuela have a joint development fund in which Beijing has placed $8 billion in exchange for oil. The fund pays for infrastructure projects in Venezuela.

Mr. Ramirez, who is also head of PDVSA, arrived from Moscow where he signed a pact to develop the Junin-6 Orinoco block with a group of Russian companies including **Lukoil Holdings** and OAO **Gazprom**.

By 2017, Junin-6 could produce 450,000 barrels a day of crude, and will require $18 billion in investments, PDVSA said.

On Jan. 29, Mr. Chávez said two bids had been received in the Carabobo bidding round, the first major Venezuela auction of oil production rights since he took office in 1999.



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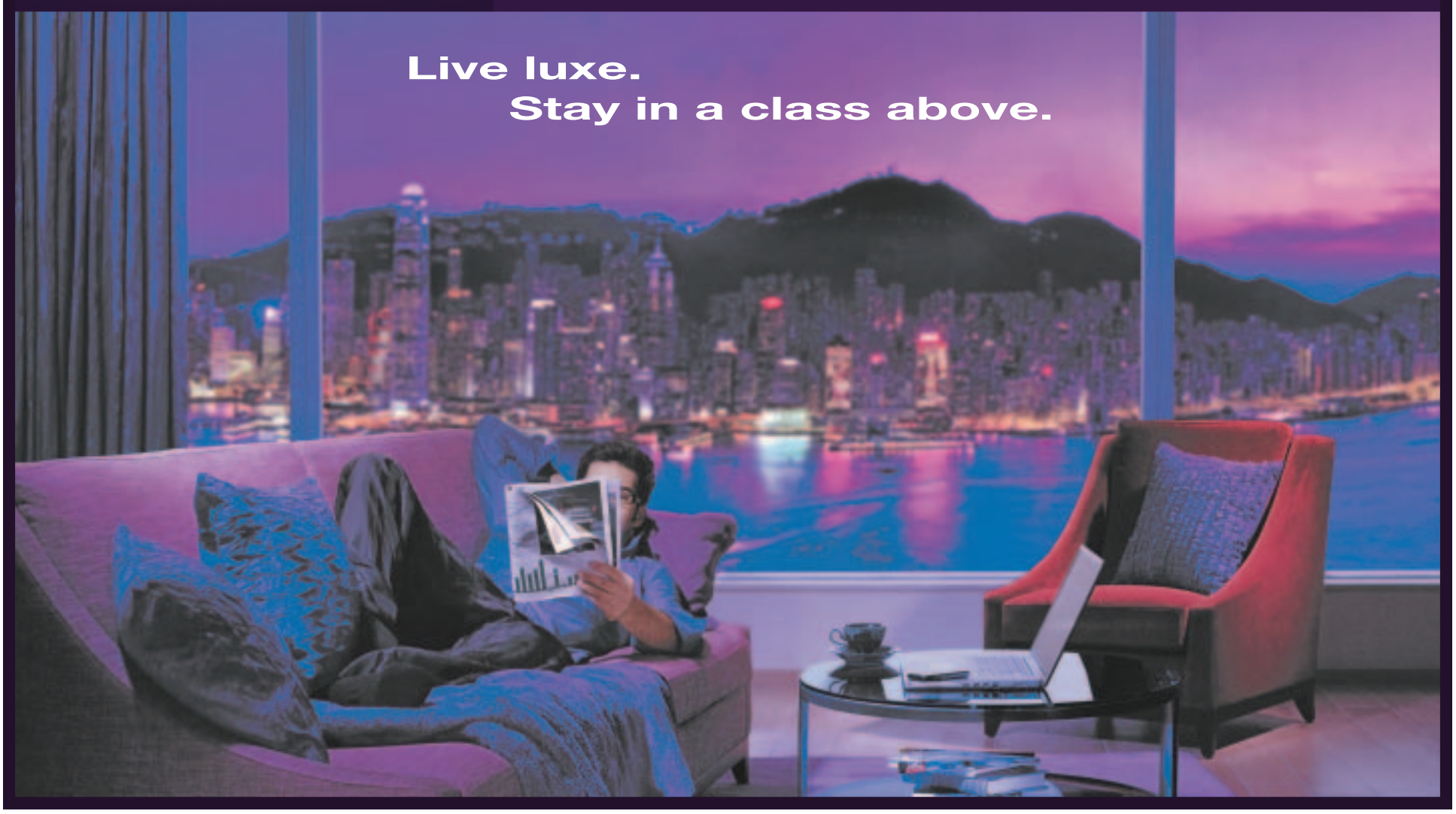

WORLD NEWS: ASIA

Karzai pursues Taliban peace talks

Afghan leader seeks help from Saudi Arabia as intermediary in negotiations, though allies question the process

By Matthew Rosenberg

Afghan President Hamid Karzai arrived in Saudi Arabia on Tuesday in a bid to jump-start talks with the Taliban's leadership, despite doubts in the U.S., Europe and even among the militants themselves.

Saudi Arabia is the only foreign country that most Afghans—from Taliban fighters in the south to Tajik politicians from the north to ordinary workers in Kabul—agree Afghanistan can depend on.

In Mr. Karzai's view, that makes the kingdom his strongest partner for entering real negotiations with the Taliban, say people familiar with his thinking on the matter.

Saudi Arabia is already at the center of the most visible peace effort to date, hosting sporadic talks that began in 2008.

Through Saudi Arabia, "Afghanistan has direct contact with influential Taliban ... now we are hopeful the negotiations can reach a very serious stage," said Ahmad Zia Seyamak Herawi, a spokesman for the president. "We want Saudi Arabia's further involvement."

Mr. Karzai's push for talks isn't entirely out of sync with the thinking of his allies at home or abroad. There is a growing consensus among Afghan, U.S. and allied officials that the war in Afghanistan will end at the negotiating table, not on the battlefield.

But there are sharp differences on when those talks should, or can, begin and with whom they should be held.

The U.S. and its allies say talks should wait until thousands of fresh American and European soldiers have had time to reverse the Taliban's battlefield momentum, and that the Taliban must cut its ties with al Qaeda before any talks are held. Saudi Arabia similarly wants the Taliban to break ties with al Qaeda and turn over Osama bin Laden before talks progress.

Western officials are also uncertain that Saudi Arabia can deliver, questioning how much influence the kingdom has with the militants.

The Taliban, meanwhile, haven't publicly budged from their official position that they won't talk until foreign troops withdraw, and it remains unclear whether Taliban leader Mullah Muhammad Omar has privately blessed the Saudi initiative.

Pakistan, too, remains on the fence. The Taliban's leadership council—known as the Quetta Shura—is believed to be based there and, because it depends on Islamabad's hospitality, it "can't move without the Pakistanis," said Abdullah Anas, an Algerian former jihadi who played a role in getting the Saudi peace effort started.

Mr. Karzai has said he also wants Pakistan to play a major role in the peace process. But the Pakistan's government denies Mullah Omar lives in their country, and its top civilian and military leaders have shown only cursory interest in the nascent peace process.

Mr. Karzai is nonetheless pressing to start negotiating as soon as possible and with whoever will talk. He has been in touch with insurgent leader Gulbuddin Hekmatyar, who is allied with the Taliban, and Afghan officials have suggested they may at some point ask the United Nations to remove Mullah Omar's name from its "blacklist," which freezes bank accounts and prohibits travel for those on it.

Mr. Karzai has also invited Taliban leaders to attend a peace *jirga*—a traditional Afghan leadership council—in Kabul in March, an offer to which he has gotten no response.

Alongside the efforts to begin talking to Taliban leaders—known in Afghan parlance as "reconciliation"—Mr. Karzai's government recently announced what it calls a "reintegration" plan to offer lower-level militants jobs and other incentives to stop fighting.

Although previous initiatives have enjoyed only limited success, the reintegration efforts have won the financial backing of Afghanistan's Western allies, and Mr. Karzai is expected to discuss additional financing with the Saudis during his two-day visit.

But it is starting real talks with top-level Taliban that remains the most elusive goal, and the Saudi-sponsored effort offers a snapshot of how hard it may be to take the talks to what Mr. Karzai's spokesman calls a "serious stage."

The idea for Saudi-mediated talks was first floated in late 2006, Mr. Anas said. "Saudi Arabia is best placed—the Taliban trust it because it recognized their government, regular Afghan people know it is the place that gave them their prophet and their Quran ... the Americans and NATO are comfortable with Saudi Arabia," Mr. Anas said. The Taliban's rule over Afghanistan from 1996 to 2001 was recognized only by Saudi Arabia, Pakistan and the United Arab Emirates.

After months of hammering out details and making invitations, the two sides finally met in August 2008.

Among the government's representatives was the president's older brother, Qayum Karzai. Four people, all of whom live in Kabul and are considered "reconciled" Taliban, represented the militants.

A few months later, Saudi intelligence chief Prince Muqrin bin Abdul Aziz visited Kabul, Islamabad and New Delhi to brief officials on the effort and assure them their interests would be looked after, said people with knowledge of the meetings.

Mr. Anas says the talks, of which he is no longer a direct part, have been friendly, even if little has been accomplished.

But others say the Taliban side has been a problem: Three of the four Taliban representatives at the first meeting are considered turncoats by the movement's leadership, said Rustam Shah Mohmand, a former Pakistani ambassador to Afghanistan who is knowledgeable about the inner workings of the militant movement.

The fourth, Abdul Salaam Zaeef, the Taliban's ambassador to Pakistan before the U.S.-led invasion of Afghanistan in 2001, is still part of the Taliban.

But the leadership seems "sees him as compromised" because he lives in Kabul, Mr. Mohmand said.

That has led Mr. Anas and others involved in the effort to conclude that the talks can make no further progress until Mr. Omar or one of his trusted lieutenants joins. And there are no signs that will soon happen, Mr. Anas said.

—Mohammad Arif Afzalzada contributed to this article.

War, not words

■ U.S. steps up mission to target key Taliban insurgents 16-17

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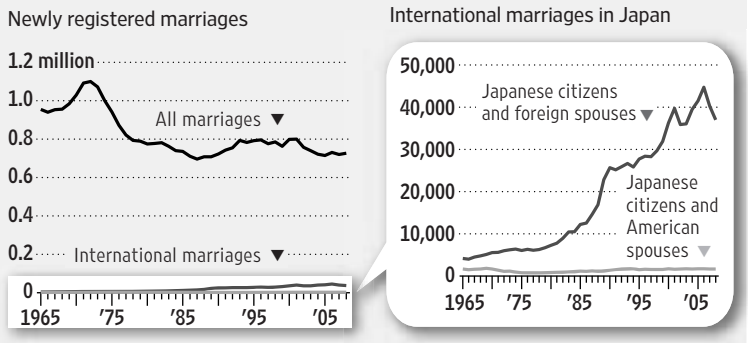
Going global

While the number of marriages in Japan has been falling, international marriages are on the rise as the Japanese society becomes more globalized.



Source: Ministry of Health, Labor and Welfare

Japan urged to sign pact

By Yuka Hayashi

TOKYO—The U.S. is renewing a push to get Tokyo to give rights to American parents whose children are taken to Japan by their former spouses.

Japan is the only one among the Group of Seven rich nations that hasn't signed a 1980 agreement meant to help sort out disputes and protect children in broken international marriages. Japanese officials have said for months they would sign the treaty, but they have yet to indicate when they would do so.

Not signing the treaty makes it difficult for foreign parents to gain custody of—or even visit—children taken to Japan by their Japanese ex-spouses. Currently, there are more than 70 cases involving more than 100 children whose American parents are denied or given little access to their children.

"This issue left unresolved has the potential to raise very real concern," assistant secretary of state Kurt Campbell said at a news conference in Japan called to cast a spotlight on the issue—and on American frustration over what U.S. officials see as Japanese foot-dragging on the matter.

"It's been striking to me how rapidly this issue has gained support in Congress," Mr. Campbell added, after meeting some affected U.S. parents.

The renewed effort on behalf of the "abductees," as these children are often called in these cases, comes at a time when tensions between the two countries already are on the rise over American bases on the southern Japanese island of Okinawa. The two nations remain far apart over the issue of construction of a new U.S. Marine facility, putting on hold a broader plan to reorganize U.S. troops stationed in Japan and creating a headache for the new center-left government of Prime Minister Yukio Hatoyama.

WORLD NEWS: ASIA

Coalition vows to secure Kandahar

By Yaroslav Trofimov

KANDAHAR, Afghanistan—Each spring as the weather warms, Taliban fighters return from wintering in Pakistan to intensify attacks and intimidation in Kandahar, southern Afghanistan's biggest city and the Islamist movement's birthplace.

But coalition commanders and Afghan officials say that in the coming months the U.S. troop surge and a new strategy will allow the coalition to block the annual militant advances—and possibly change the course of the war by reversing the Taliban's momentum.

With new forces deployed against the Taliban, "I can literally break their back," says Canadian Brig. Gen. Daniel Menard, the commander of Task Force Kandahar, which will include 5,800 Canadian and U.S. troops by March. "They will not fight us when and where they want. We will fight them when and where we want, and that is a huge change. They cannot sustain the pressure we're putting them under forever."

Throughout the history of Afghanistan, whoever secured the city of Kandahar has controlled the rest of the country. It is the biggest population center of the Pashtuns, the nation's largest ethnic group and traditional rulers, and the place where the Taliban's one-eyed leader, Mullah Omar, wrapped himself in a cloak once used by Prophet Muhammad and claimed to lead the world's Muslims.

"If Kandahar falls, so goes Afghanistan. Everyone understands that it's a jewel that needs to be protected," says U.S. Army Lt. Col. Reik Andersen, commander of the 1st Battalion of the 12th Infantry Regiment, which has been deployed to secure northwestern approaches to the city.

Until American units started pouring into Kandahar province in the second half of last year, Canadian troops tackled the Taliban here largely on their own—and lacked the numbers to hold the ground around the city.

In recent months, two American battalions under Gen. Menard's command took over restive areas north and west of Kandahar, and an

Lucian Read for The Wall Street Journal

Senior Airman Jonathan Olds, right, watches helicopter-fired rockets he has called for strike a suspected Taliban position in Kandahar province.

American military police battalion focused on patrols within the city limits.

Fresh American forces scheduled to arrive in mid-March would take over the southern approaches to Kandahar, letting the Canadian troops concentrate on the violent Panjway district in the southwest.

Upcoming operations in Kandahar are expected to follow a massive U.S. military push against the Taliban, announced Monday, beginning in coming days in the neighboring province of Helmand, another center of the Taliban-led insurgency. The central Helmand offensive, Operation Moshtarak, or Together, will focus on the Nad Ali district and involve Afghan and British troops in addition to the U.S. Marines and Army units.

In Kandahar, the fighting season traditionally reaches full force in May, when thick foliage in the grape, pomegranate and poppy fields around the city provides cover for the militants. American and Canadian forces now are busy establishing combat outposts throughout those areas. "By the time the spring comes and the leaves grow on trees, the security forces will be in place, blocking [the Taliban] well away from the city," says Kandahar province's governor, Tooryalai Wesa. "This time last year, we weren't even able to talk about some of these villages, and now our checkpoints are there."

Gen. Menard says his battle plan divides his area of responsibility into three concentric rings. The center, which he calls the "ring of stability," includes Kandahar city and major satellite towns. While there won't be a large increase in foreign troop presence inside the city, The coalition plans to stabilize that area by the spring, bolstering Afghan security forces there and launching wide-scale public-works projects that would keep potential recruits for the insurgency busy digging canals and constructing roads.

Most of the "hard" combat in coming months, Gen. Menard said, will take place in an intermediate "ring of security" around the city of one million. This rural belt "is where I intend to fight the insurgents during the campaign season," Gen. Menard said. "This is important because people inside the ring of stability would listen to this, and feel that they are protected."

Four battalion-sized combat task forces will be in place in that area by May, he said. Much smaller resources would be committed to the outer ring of "deep fight." .

—Habib Zahori in Kabul contributed to this article.

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WORLD NEWS

Australian Labor Party slips in poll

Gap in support between government and main opposition narrows as initiative on emissions takes political toll

By Rachel Pannett

CANBERRA—Australia's center-left Labor government suffered a drop in voter support in recent weeks, according to a poll published Tuesday, as it faces growing pressure over its plan to cap the nation's greenhouse-gas emissions.

The results show the government of Prime Minister Kevin Rudd still enjoys an edge in terms of popularity over the main conservative Liberal-National opposition coalition. But it also shows how a number of initiatives, particularly climate-change legislation, have come at greater political cost than expected. The opposition has criticized Mr. Rudd's plan as too expensive.

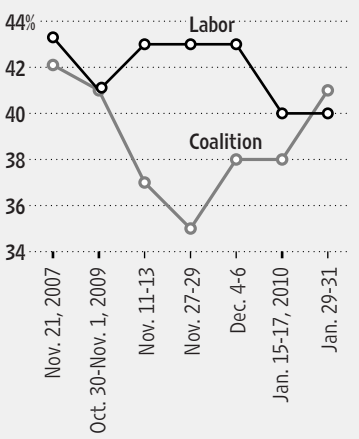
The poll comes amid a run-up to the next election, due no later than early 2011, and shows Mr. Rudd's increasing vulnerability despite strong popularity for most of its tenure. Mr. Rudd told his caucus Monday that Labor "could certainly lose the election"

The Newspoll, published in The Australian newspaper, shows public support for the government has fallen to 52%, compared with the 48% rating of the main Liberal-National opposition coalition. The government had a lead of eight percentage points two weeks ago, while two years ago it enjoyed approval levels of above 60%.

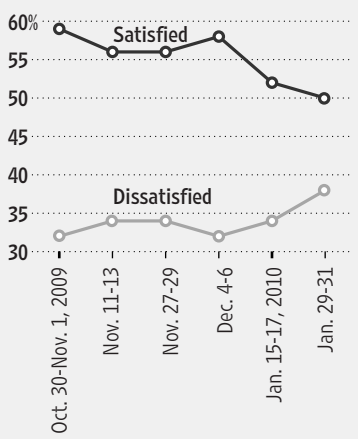
Wavering support

Support for Australia's Labor government has suffered in recent weeks, amid growing pressure over its plan to cap the nation's greenhouse-gas emissions.

Q: If a federal election for the House of Representatives was held today, which one of the following would you vote for?



Q: Are you satisfied or dissatisfied with the way Kevin Rudd is doing his job as prime minister?



Note: Telephone polls of 1,146 respondents. The maximum margin of sampling error is plus or minus 3 percentage points.
Source: Newspoll and The Australian

The main opposition Liberal party now has a slightly higher approval rating than Mr. Rudd's Labor Party in a straight matchup. On a primary-vote basis, which counts voters' first preferences but discards the second or third choice allowed under Australia's voting rules, the Labor Party has only a 40% approval rating, while the Liberal party has a 41% rating.

Voters weren't polled directly on their support for the government's cap-and-trade policies. But the issue has dominated political debate in Australia in the past month.

The government plans to soon introduce for a third time legislation that would place a cap on greenhouse-gas emissions, forcing big polluters to buy carbon permits to account for their emissions. The upper-house Senate already has rejected the plan twice.

Also Tuesday, the opposition offered a climate-change plan it said will deliver the same greenhouse-gas emission cuts as the Rudd government's cap-and-trade plan, but at a fraction of the cost.

Details on the opposition's alternative climate plan were scant Tuesday. Using soil as a carbon sink is a central plank of the policy, opposition officials said, supported by other direct-action measures such as forestry, energy efficiency and recycling. An emissions-reduction fund would be established to support the curbing of carbon-dioxide emissions by business and industry, starting with an initial allocation of 300 million Australian dollars (US$267 million) in the year starting July 1, 2011, and growing to A$1 billion by fiscal 2014-15.

The plan would meet a government target of reducing Australia's greenhouse-gas emissions by 5% on year 2000 levels by 2020, said opposition leader Tony Abbott, and could be ramped up to meet higher targets if needed under any comprehensive global climate deal. "The coalition's direct action plan is careful, costed and capped—reducing emissions without a tax on everything," he said.

The Minerals Council of Australia, which represents some of the country's biggest polluters, welcomed the emphasis on using incentives to curb emissions rather than an approach "preoccupied with penalizing business to raise revenue."

But critics of the coalition plan questioned whether an incentives-based plan would push polluting companies to make meaningful emissions cuts. Climate Change Minister Penny Wong called it "nothing more than a climate con job."

Mousavi says tyranny is alive in post-shah Iran

By Chip Cummins and Farnaz Fassihi

Iran's leading opposition figure lashed out at the country's ruling class, saying that despite the Islamic revolution that toppled the shah 31 years ago, tyranny and dictatorship have survived.

The harshly worded critique, posted Tuesday in the form of an interview on kaleme.org, the Web site of Mir Hossein Mousavi, ratchets up the war of words between regime hard-liners and opposition figures ahead of next week's anniversary marking the fall of the shah, Mohammad Reza Pahlavi, in 1979.

"A dictatorship under the name of religion is the worst kind of oppression," said Mr. Mousavi, a former Iranian prime minister. In his interview, he said his early belief that the revolution would eradicate dictatorship hasn't been borne out.

A series of commemorations of the founding of the Islamic Republic are planned in coming days, culminating Feb. 11, the date in 1979 when the shah's forces fell. Typically, pro-government demonstrations honor the day in cities across the country.

But this year, opposition leaders, including Mr. Mousavi, have called on protesters to turn out in large numbers on the anniversary, setting the stage for more clashes with security services. For months, the opposition has used state-sponsored holidays and commemorations to sidestep a ban on antigovernment protests.

Opposition leaders and their supporters allege President Mahmoud Ahmadinejad stole the June 12 presidential election, a charge the government denies.

Widespread protests since then have become the biggest threat to domestic stability in Iran since the revolution.

After bloody demonstrations in late December, the regime vowed a fresh crackdown on protesters.

Over the weekend, Iran's judiciary began a trial of 16 people on various charges related to the late December protests, including five who face a possible death sentence. The courts already have sentenced nine to death in relation to other protests.

Those sentences are now being reviewed on appeal.

Last week, Iran hanged two men charged with plotting to topple the regime. Both were arrested before last summer's election, but Iran's state media suggested their cases were linked to others involved in the protests.

Conservative clerics seized on the hangings as an indication of fresh resolve to deal with the protesters.

Opposition leaders have denied they are seeking to topple the regime, but have drawn parallels between the harsh tactics used by Mr. Ahmadinejad and Supreme Leader Ayatollah Ali Khamenei, and the shah.

In his comments Tuesday, Mr. Mousavi accused Iran's judiciary and parliament of working under the country's security apparatus.

He also said that it was the shah's violent tactics against protesters that brought his regime down 31 years ago.

"In the early days of the revolution, most people were convinced that the revolution had abolished dictatorship and oppression. I was among those that thought this," he said. "But now I no longer believe this. Today, we can identify roots of dictatorship and a desire by the establishment to return to the days of dictatorship."

Mr. Mousavi also struck a chord of restraint, urging protesters to resist violence or extremism.

He said he and his supporters weren't out to topple the regime, but to reform it.

"We've all come for reform, not for vengeance and not for seeking power," he said.

Associated Press

Iran opposition leader Mir Hossein Mousavi speaks in July 2009.

Retail sales in Germany, joblessness in Spain slow EU growth

By Nicholas Winning And Nina Koeppen

LONDON—Anemic retail sales growth in Germany and rising unemployment in Spain suggest consumer demand isn't providing much support for the euro zone's economic recovery.

Germany's Federal Statistics Office said the volume of retail sales in the currency bloc's biggest economy grew 0.8% in adjusted terms in December, but revised November's monthly drop down to 1.7%.

Although the figures suggest that the economic crisis didn't hold back Germans' Christmas shopping, there is little sign of a sustained recovery in spending.

"The long-standing weakness in consumer spending remains a hindrance to the strength and sustainability of the recovery in Germany, and the euro zone," said Ken Wattret, an economist at BNP Paribas.

German retail industry group HDE said Tuesday that it expected a fall of 0.5% in real terms this year. The official figures showed German retail sales down 1.8% in 2009 as a whole, the weakest year since the introduction of the euro.

Although German unemployment has risen less than expected because of government measures to shield the labor market from the financial crisis, households were still nervous about the economic outlook and a short-time working program may have reduced consumers' disposable income.

Unemployment figures from Spain suggest the outlook for retail sales there may be even darker. Spain's labor ministry said jobless claims rose 3.1%, to 4.0 million in January from December.

Compared with January last year, jobless claims were 22% higher.

Employment secretary Maravillas Rojo said January was traditionally a bad month for employment, even in times of economic growth, but economists said there was no hiding the underlying weakness.

"The Spanish economy looks set for a long and painful retrenchment as it adjusts to the collapse in the construction sector," said Colin Ellis, a European economist at Daiwa Capital Markets Europe.

The slow recovery in consumer demand and large amount of spare capacity in the euro-zone economy appear to be keeping a lid on inflationary pressures—cementing expectations that the European Central Bank is unlikely to raise interest rates for some months.

The European Union's Eurostat statistics office reported that industrial producer prices excluding construction rose 0.1% from November, leaving them 2.9% lower than in December 2008.

Excluding construction and energy, factory gate prices were stable for a second consecutive month in December, while the year-on-year decline moderated further to 2.3% from 3.1% in November.

"December's producer price figures serve as a timely reminder that pipeline price pressures in the euro zone remain very subdued, and strengthen the case for the ECB to keep rates firmly on hold this week and in most of 2010," said Martin van Vliet, an economist at ING.

The European Central Bank is widely expected to keep its benchmark rate unchanged when it meets Thursday, at a record low 1.0%.

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WORLD NEWS

U.S. deficit balloons into security threat

[Capital Journal]

By Gerald F. Seib

The federal budget deficit has long since graduated from nuisance to headache to pressing national concern. Now, however, it has become so large and persistent that it is time to start thinking of it as something else entirely: a national-security threat.

The budget plan released Monday by the Obama administration illustrates why this escalation is warranted. The numbers are mind-numbing: a $1.6 trillion deficit this year, $1.3 trillion next year, $8.5 trillion for the next 10 years combined—and that assumes Congress enacts President Barack Obama's proposals to start bringing it down, and that the proposals work.

These numbers are often discussed as an economic and domestic problem.

But it's time to start thinking of the ramifications for America's ability to continue playing its traditional global role.

The U.S. government this year will borrow one of every three dollars it spends, with many of those funds coming from foreign countries.

That weakens America's standing and its freedom to act; strengthens China and other world powers including cash-rich oil producers; puts long-term defense spending at risk; undermines the power of the American system as a model for developing countries; and reduces the aura of power that has been a great intangible asset for presidents for more than a century.

"We've reached a point now where there's an intimate link between our solvency and our national security," says Richard Haass, president of the Council on Foreign Relations and a senior national-security adviser in both the first and second Bush presidencies. "What's so discouraging is that our domestic politics don't seem to be up to the challenge. And the whole world is watching."

In the 21st-century world order, the classic, narrow definition of national-security threats already has expanded in ways that make traditional foreign-policy thinking antiquated. The list of American security concerns now includes dependence on foreign oil and global warming, for example.

Consider just four of the ways that budget deficits also threaten American's national security:

■ They make America vulnerable to foreign pressures.

The U.S. has about $7.5 trillion in accumulated debt held by the public, about half of that in the hands of investors abroad.

Aside from the fact that each American next year will chip in more than $800 just to pay interest on this debt, that situation means America's government is dependent on the largesse of foreign creditors and subject to the whims of international financial markets. A foreign government, through the actions of its central bank, could put pressure on the U.S. in a way its military never could.

Even under a more benign scenario, a debt-ridden U.S. is vulnerable to a run on the American dollar that begins abroad.

Either way, Mr. Haass says, "it reduces our independence."

■ Chinese power is growing as a result.

A lot of the deficit is being financed by China, which is selling the U.S. many billions of dollars of manufactured goods, then lending the accumulated dollars back to the U.S. The IOUs are stacking up in Beijing.

So far this has been a mutually beneficial arrangement, but it is slowly increasing Chinese leverage over American consumers and the American government.

At some point, the U.S. may have to bend its policies before either an implicit or explicit Chinese threat to stop the merry-go-round.

Just this weekend, for example, the U.S. angered China by agreeing to sell Taiwan $6.4 billion in arms. At some point, will the U.S. face economic servitude to China that would make such a policy decision impossible?

■ Long-term national-security budgets are put at risk.

This year, thanks in some measure to continuing high costs from wars in Iraq and Afghanistan, the U.S. will spend a once-unthinkable $688 billion on defense. (Before the Sept. 11, 2001 attacks, by contrast, the figure was closer to $300 billion.)

Staggering as the defense outlays are, the deficit is twice as large.

The much smaller budgets for the rest of America's international operations—diplomacy, assistance for friendly nations—are dwarfed even more dramatically by the deficit.

These national-security budgets have been largely sacrosanct in the era of terrorism. But unless the deficit arc changes, at some point they will come under pressure for cuts.

■ The American model is being undermined before the rest of the world.

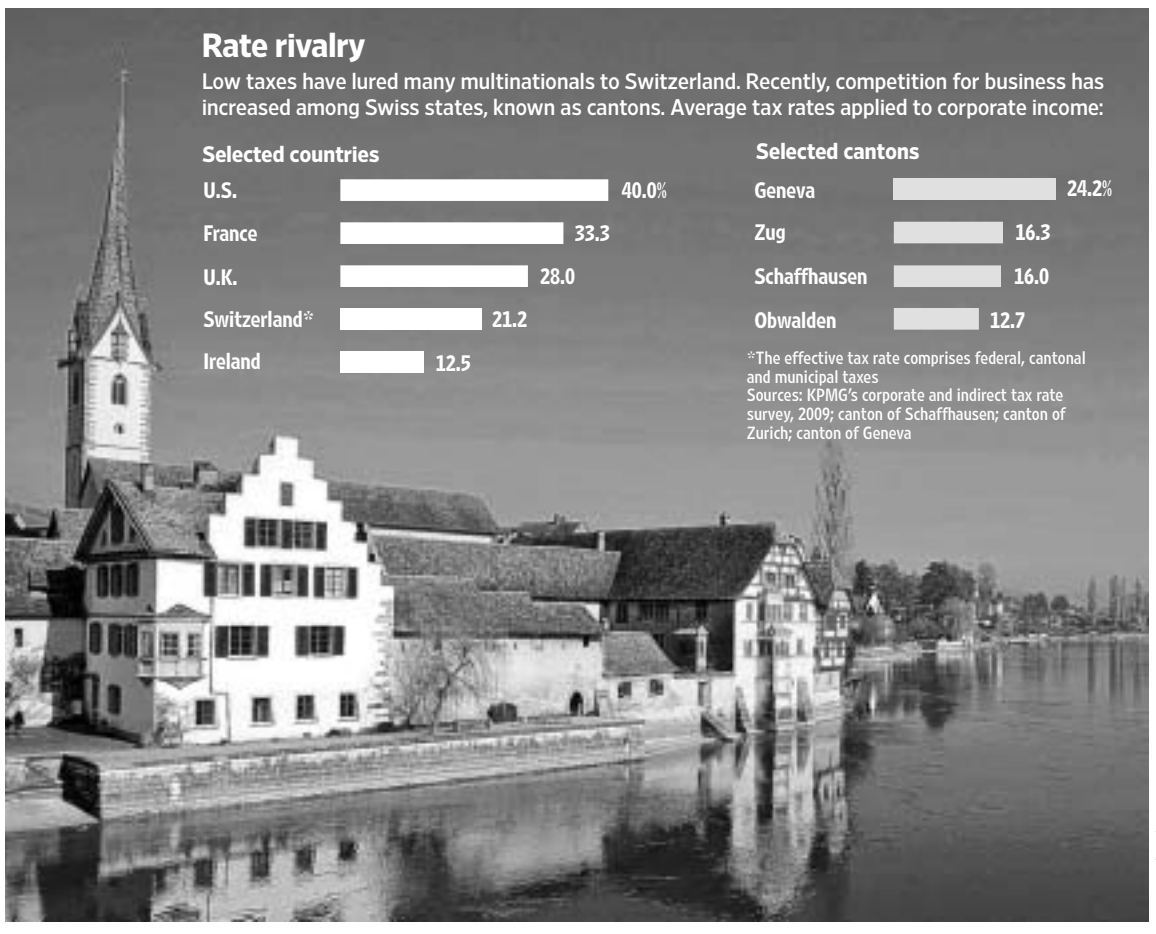
This is the great intangible impact of yawning budget deficits. The image of an invincible America had two large effects over the last century or so. First, it made other countries listen when Washington talked. And second, it often—not always, of course, but often—made other peoples and leaders yearn to be like America.

Sometimes that produced jealousy and resentment among leaders, but often it drew to the top of foreign lands leaders who admired the U.S. and wanted their countries to emulate it. Such leaders are good allies.

The Obama administration has pledged to create a bipartisan commission charged with balancing the budget, except for interest payments, by 2015. The damage deficits can do to America's world standing is a good reason to hope the commission works.

Switzerland's states compete fiercely with tax cuts

By Deborah Ball
And Cassell Bryan-Low


Rate rivalry
Low taxes have lured many multinationals to Switzerland. Recently, competition for business has increased among Swiss states, known as cantons. Average tax rates applied to corporate income:
Selected countries
U.S. 40.0%
France 33.3
U.K. 28.0
Switzerland* 21.2
Ireland 12.5
Selected cantons
Geneva 24.2%
Zug 16.3
Schaffhausen 16.0
Obwalden 12.7
*The effective tax rate comprises federal, cantonal and municipal taxes
Sources: KPMG's corporate and indirect tax rate survey, 2009; canton of Schaffhausen; canton of Zurich; canton of Geneva

Keystone/Landov

ZUG, Switzerland—Low taxes have long given Switzerland a strong hand in the battle to lure the operations of big multinational companies. Now, an intramural war is on in which individual Swiss states are competing harder to attract for business.

Switzerland's states, known as cantons, are offering low tax rates meant to tempt multinationals into establishing regional headquarters or other operations in their jurisdictions. In doing so, other cantons states are trying to take business away from Zug, the Swiss canton that has mastered the game of attracting business to such a high degree that it is beginning to run out of space.

Since the 1960s, Zug has set the pace in persuading multinationals to set up shop, drawing names such as **Johnson & Johnson**, **Burger King Holdings** Inc. and **Siemens** AG. As Zug now runs short on housing and office space, small cantons nearby are getting in on the act. "Zug made an extremely good decision years ago to have a competitive tax code," says Georges Meyer, a tax partner at PricewaterhouseCoopers in Zurich. "Now you see a trend of neighboring cantons trying to attract business too."

Switzerland as a whole is battling with countries such as Ireland, the Netherlands, the U.K. and Germany for a share of multinationals' business. While Switzerland's top research universities, efficient public sector and strong intellectual-property protection are attractive, its low tax rates are a huge draw.

Switzerland's federal corporate tax rate is just 8.5%. When average cantonal and municipal taxes are included, the average corporate tax rate in Switzerland is 21.2%, compared with about 30% for Germany and 25.5% for the Netherlands, according to KPMG.

But in Switzerland, the cantons—which enjoy far more autonomy than do U.S. states—are the main drivers in luring multinationals. Two-thirds of total taxes are levied by the cantons, which also have wide autonomy on social-security contributions, business permits, residency requirements and construction rules. As a result, the cantons take the lead in pitching for companies to come to Switzerland.

"Switzerland is such a popular choice for multinationals that it was high on our list from the start," says Rich Riley, senior vice president for Europe at **Yahoo** Inc., which established its European headquarters in the canton of Vaud in late 2008. "We looked at multiple countries and multiple cantons within Switzerland." in Switzerland.

The battle for multinational business comes as companies have become savvier about relocating more activities to regional headquarters to lower their tax burdens. According to consultancy McKinsey & Co., Switzerland attracted more than 180 regional headquarters of large foreign companies between 1998 and 2008. In just the past several years, **Kraft Foods** Inc., Yahoo and **Google** Inc. have established European headquarters in Switzerland, and more than 150 U.S. companies now have a presence here.

In 2007, Zug attracted 1,600 new businesses. Last year, as many companies put relocation plans on hold due to cost cuttings, it drew only about half that, but Zug officials say they are satisfied, given the economic slump.

But Zug has been a victim of its own success. International schools here are scrambling to expand to accommodate requests for new students, and housing and office space are in short supply.

"If someone says to me, I want to be here within a year with 500 people and I want space near the railway station, I can't do that," admits Hans Marti, head of Zug's economic promotion board.

Now Other cantons are snapping at Zug's heels. Schaffhausen, a canton north of Zurich near the German border, halved its corporate tax to 16% in 2008 and is emphasizing the ready availability of private homes and the 30-minute journey to Zurich Airport.

Several years ago, consumer-goods giant **Unilever** set up a regional supply-chain division in Schaffhausen because it could no longer get the office space it needed in Zug, where it had previously housed part of that operation. Zug also lost out to Schaffhausen in attracting operations of **Wal-Mart Stores** Inc. because of space, says Mr. Marti.

A Wal-Mart spokesman declined to confirm that the company has decided to set up shop in Schaffhaussen yet, though the canton's promotional materials tout the retail giant's arrival there.

The cantons of Lucerne and Obwalden have also cut their tax rates. In 2006, Obwalden, cut its to 12.7%.

THE BATTLE FOR NINA WANG'S FORTUNE

Battle of the wills | The fight for Nina Wang's estate

- **1955:** Teddy Wang and Nina Kung, childhood sweethearts from Shanghai, marry and settle in Hong Kong, where they go on to turn his father's Chinachem business into a property powerhouse.
- **April 10, 1990:** After he was kidnapped once and ransomed in 1983, Mr. Wang is kidnapped again and never resurfaces.
- **1998:** Mr. Wang's father moves to have his son declared legally dead, producing a 1968 will that turns the Chinachem fortune over to him. Ms. Wang then produces a handwritten will purportedly signed by Mr. Wang on March 12, 1990, just before his second kidnapping, giving the fortune to Ms. Wang.
- **Nov. 21, 2002:** After a long civil trial between Ms. Wang and her father-in-law, a Hong Kong judge declares Ms. Wang's version of the will a forgery, and she is later charged with forgery and perjury.
- **Sept. 16, 2005:** Hong Kong's highest court unexpectedly overturns the previous ruling, instantly making Ms. Wang one of Asia's wealthiest women and clearing her of the charges against her.
- **April 3, 2007:** Nina Wang dies at age 69 of heart disease and cancer. Two days later, her feng shui master and lover Tony Chan says through a lawyer that he has a 2006 will that hands the fortune over to him.
- **Feb. 2, 2010:** Hong Kong's Court of First Instance rejects Mr. Chan's claim to Ms. Wang's fortune, reaffirming a 2002 will by Ms. Wang that would bequeath her estate to a charitable foundation.

From top: Agence France-Presse/Getty Images (2); European Pressphoto Agency; Associated Press

From top: Ms. Wang arrives for China's annual congressional meetings in Beijing in 2001; leaving a Hong Kong court in 2005, one month after winning an eight-year legal battle with her father-in-law; Ms. Wang and Tony Chan from the early 1990s; Mr. Chan leaves Hong Kong's High Court last June.

Claim to Wang estate is rejected

Continued from first page

with her kidnapped husband, convinced that he was still alive and sending her messages from an undisclosed location.

Judge Lam said in his ruling Tuesday that the evidence showed Ms. Wang wanted the secret of her relationship with Mr. Chan "to be buried together with her after her death."

"The court does not believe that their relationship was such that Nina was prepared to give him her entire estate irrespective of her other commitments and responsibilities," he wrote.

Judge Lam said there was evidence that Mr. Chan had been preparing for a legal battle "for quite some time before her demise."

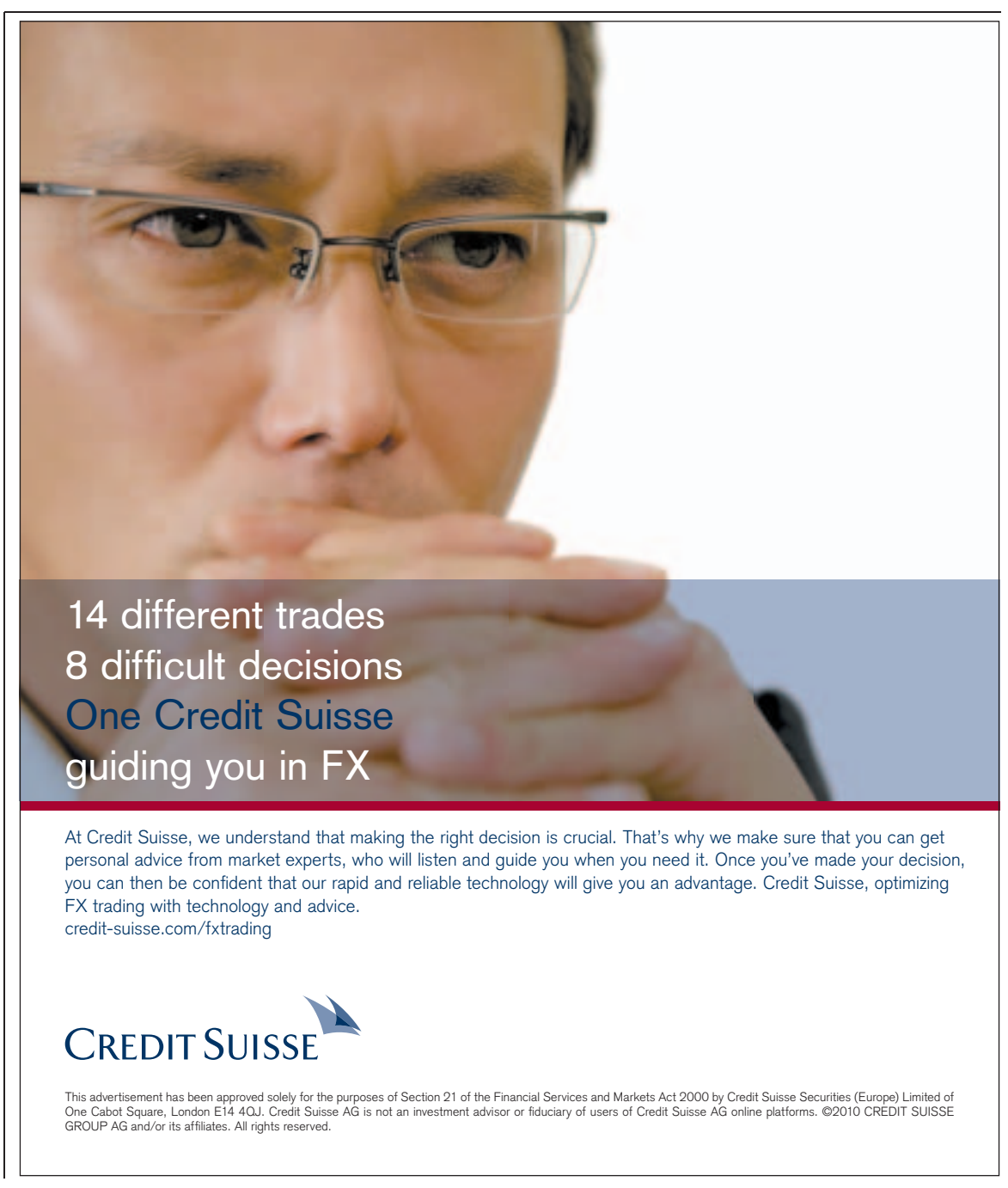
In 2007, at the time of her death from cancer at the age of 69, Ms. Wang's wealth had been estimated to be $4.2 billion by Forbes magazine.

Ms. Wang, who took the reins of Chinachem with the title of "chairlady" after her husband's disappearance, fostered a reputation for frugality. She boasted in interviews that she spent less than $400 a month on herself.

Ms. Wang also was widely known for her eccentric style of dress. She appeared publicly in bright miniskirts and bouncing pigtails that earned her the Cantonese nickname Siu Tim Tim, or Little Sweetie.

Bloomberg News

Relatives of the late billionaire Nina Wang celebrate after a news conference in Hong Kong on Tuesday.



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Nascent Prague rebound hints at broader revival

By Anita Likus

Prague is beginning to show the stirrings of what might be renewed interest among investors in buying commercial real estate in Central and Eastern Europe.

Late last year, **ECM Real Estate Investments** sold City Tower, Prague's tallest building, to an unidentified buyer in a deal valued at €130 million ($181.1 million).

Meantime, **DEKA Immobilien Investment** GmbH, a German open-ended fund, has shown a strong appetite for property in the region. In November, it paid €110 million for Gemini, a two-building office complex in Prague's Fourth District, and earlier this month it bought a distribution center near the city from the retail chain Tesco Stores CR. DEKA also purchased Jungmannova Plaza in early 2009 for €40.6 million

Central and Eastern European markets have been relatively quiet over the past year as Western European property markets have rebounded. But some investors believe that, as Western Europe recovers, money will start to flow east, with Prague being among the first to rebound.

Prague's 12% vacancy rate in offices in the fourth quarter of last year was below Sofia's and Bucharest's 16% or Budapest's 22%, according to CB Richard Ellis. There is little product in the pipeline; new development under way represents only 3% of Prague's current office supply, compared with Sofia's 44%, Budapest's 8% and Bucharest's 31%, CB Richard Ellis said.

Investors also are attracted to Prague office property because of the city's appeal to international companies. Gemini's tenants include Unipetrol, Volksbank and Novartis.

DEKA purchased Gemini from **Sparkassen Immobilien** AG, Austria's longest standing property-investment company. But that doesn't mean that Sparkassen is bearish on Prague.

Holger Schmidtmayr, Sparkassen's member of the board responsible for Central and Eastern Europe, says he plans to invest €400 million in the region in the next two years and is looking to Prague as the first market to recover.

Mr. Schmidtmayr says he will look at Prague, Sofia, Budapest and Bucharest but isn't interested in the Polish property market because it is already too expensive.

"No one is developing in Central and Eastern Europe currently," he says. "Now is the right time to grow."

There are skeptics, though. Financing for deals in the region is difficult to obtain, and many investors are averse to risk. Having been hit by the recession, investors value stability and prefer to put their money into what they know, according to adviser PriceWaterhouseCoopers.

Property markets in Central and Eastern Europe expanded rapidly after the fall of the Soviet Union in 1991 as investors took advantage of high returns. But as the credit crunch hit Western economies, investment vanished in emerging markets and fell drastically in Eastern Europe.

"Transactions literally broke away and many projects were put on hold," says Peter Oberlechner, partner and head of real estate at law firm Wolf Theiss.

While investment in Central and Eastern Europe increased in the second half of the year, bringing the total for 2009 to €2.5 billion, according to CB Richard Ellis's latest report, this was still 75% lower than that recorded in 2008.

German open-ended funds, which accounted for 15% of the 2009 investment in the region, are also expected to increase their investment in 2010 because there is less competition from other investors. Ellis Iryna Pylypchuk, associate director at CB Richard Ellis, believes the funds will seek larger deals in office and retail in a bid to minimize management time spent per transaction.

Sino Land, founded by Ng Teng Fong, owns the Lippo Centre in Hong Kong.

Agence France-Presse

Property tycoon Ng dies

Founder of Far East Organization, Sino Group left mark in Asia

SINGAPORE—Ng Teng Fong, one of Asia's richest tycoons and the founder and chairman of Singapore's largest unlisted property group, **Far East Organization**, died Tuesday at 82 years old, the developer said.

By Sam Holmes in Singapore and Joyce Li in Hong Kong

Far East said in a statement that Mr. Ng had suffered a cerebral hemorrhage on Jan. 23.

Forbes Asia magazine in 2009 listed Mr. Ng as the richest person in Singapore, with a net worth of more than US$8 billion.

In 1971, he founded Sino Group, the Hong Kong sister of Far East and the parent of **Sino Land** Co., which is Hong Kong's fifth-largest developer by market capitalization and one of the most aggressive purchasers of land in the city.

Sino Land runs the landmark Conrad Hong Kong and Royal Pacific Hotel & Towers hotels in Hong Kong, while Far East runs its flagship Fullerton Hotel in Singapore. Mr. Ng's son Robert is chairman of Sino Land, whose buildings include Central Plaza.

Far East's Web site says that it and Sino Group, when combined, have an annual turnover of $5.5 billion and total assets of more than $40 billion. Together, Far East and Sino Group have a portfolio of 12 hotels in Singapore and Hong Kong, with a total of 4,727 rooms, according to the site.

The property tycoon was born in 1928 in China's Fujian province, which was the birthplace of many emigrants who later became highly successful businesspeople in Southeast Asia. After a smallpox outbreak in his village of Putian when Mr. Ng was six years old, his family—which eventually had 11 children—migrated to Singapore.

A profile of Mr. Ng in a 1996 book entitled "Leaders of Singapore," written by Melanie Chew, said his first business in the city-state, a provision shop, failed. But he began to have great success—and got the nickname "Lucky Ng"—in property development. He established his first Singapore housing project in 1962 and later developed many properties along and near Orchard Road, including one named Lucky Plaza.

The book quotes one of Mr. Ng's sons as saying the father, who always did calculations with an abacus, "is the eternal optimist, and his belief is that hard work, coupled with good luck, paves the road to success."

Mr. Ng, who lived simply and regularly worked 18-hour days, was publicity-shy.

Agence France-Presse/Singapore Straits Times

Ng Teng Fong in December 1996.

Far East was established as an umbrella for his stable of companies. The group today comprises more than 180 privately held developments and investment companies as well as two publicly listed companies.

The Sino Group in Hong Kong consists of private holding companies held by the Ng family, Sino Land and two other publicly listed companies.

Analysts said Mr. Ng's death will have little or no impact on property developer Sino Group, as Mr. Ng long wasn't involved in its operations. Far East is run by another son, Philip.

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The President's Priorities

One rule of budget reporting is to watch what the politicians are spending *this year*, not the frugality they promise down the road. By that measure, the budget that President Obama released Monday for fiscal 2011 is one of the greatest spend-while-you-can documents in American history.

We now know why the White House leaked word of a three-year spending freeze on a few domestic accounts before this extravaganza was released. No one would have noticed such a slushy promise amid this glacier of spending. The budget reveals that overall federal outlays will reach $3.72 trillion in fiscal 2010, and keep rising to $3.834 trillion in 2011.

As a share of the economy, outlays will reach a post-World War II record of 25.4% this year. This is a new modern spending landmark, up from 21% of GDP as recently as fiscal 2008, and far above the 40-year average of 20.7%.

In the "out years" in mid-decade, the White House promises that spending will fall all the way back to 23% of GDP. Even if you choose to believe such a political prediction, that still means Mr. Obama is proposing a new and more or less permanently higher plateau of federal spending.

And here you thought the "stimulus" was supposed to be temporary. This is also before the baby boomers retire and send Medicare and Social Security accounts soaring.

If this budget is Mr. Obama's first clear demonstration of his long-term governing priorities, then it's hard not conclude that this spending boom is deliberate. It is an effort to put in place programs and spending commitments that will require vast new tax increases and give the political class a claim on far more private American wealth.

$2 Trillion More

Selected tax increases in the 2011 White House budget, with revenues estimated from 2011-2020, in billions

Bank "responsibility fee"	$90
Repeal LIFO accounting for inventories	59.1
"Reform U.S. international tax system"	122.2
Taxes on oil and gas	36.5
Tax carried interest as normal income	24
Make unemployment insurance surtax permanent	14.2
Reduce tax gap and make reforms	49.4
Repeal Bush income tax rates on singles above $200,000, couples $250,000	379.7
Reinstate personal exemption and deduction limits on same taxpayers above $200,000	208.5
Raise capital gains rate to 20% from 15%	105.4
Limit tax rate for filers who take itemized deductions to 28%	291.2

Source: OMB

Despite talk of "tough choices" in Monday's document, the Administration wants $25 billion in new spending for states for Medicaid, $100 billion for yet another jobs "stimulus," big boosts in spending for low-income family programs, for health research, heating assistance and education. If Mr. Obama's priorities become law, federal outlays will have grown an astonishing 29% since 2008.

As further proof, the White House proposes to convert long-standing "discretionary" spending that requires annual appropriations into permanent entitlement programs. A case in point is the Pell Grant program for college, which the budget would shift into the "mandatory" spending column at a cost of $307 billion over 10 years. The political goal here is to make a college education as much of a universal entitlement as Social Security.

All of this spending must be financed, and so deficits and taxes are both scheduled to rise to record levels. The deficit will hit 10.6% of GDP this year, far more than Ronald Reagan ever dreamed of. The deficits are then predicted to fall but still to only a tad below 4% of GDP on average for the rest of the decade. We wouldn't mind those numbers if they were financing tax cuts to revive growth.

But the reality is that even these still-high deficits are based on assumptions for growth and revenue gains from record tax *increases* starting January 1, 2011. And what a list of tax increases it is—no less than $2 trillion worth over the decade. The nearby table lists some of the largest, all of which the Administration and its economists claim to believe will have little or no impact on growth. If they're wrong, the deficits will be even larger.

Our favorite euphemism is the Administration's estimate that it can get $122.2 billion in new revenue via a "reform" of the "U.S. international tax system." Reform usually means closing some loopholes in return for lower tax rates. But this is a giant tax increase on American companies that operate overseas, and it includes no offsetting cut in the U.S. 35% corporate tax rate, which is among the highest in the world. The Administration agreed last year to drop this idea when it was seeking the help of the Business Roundtable to pass health care. But so much for that, now that the White House needs the money.

Even these tax increases won't be enough to pay for the spending that this Administration is unleashing in its first two remarkable years. On the evidence of this budget, the Massachusetts Senate election never happened.

China's Human-Rights Hacking

Google's recent travails have drawn much-needed attention to the threat of Chinese cyber attacks on corporations. But there's another war being fought against a less publicized target: China's online human-rights activists.

Only two days after Hillary Clinton's January 21 speech supporting Internet freedom, five Chinese human-rights groups' Web sites, most of which have foreign-based servers, were paralyzed for up to 16 hours by denial-of-service attacks.

> Attempts to silence critics extend beyond the mainland's borders.

It's impossible to pinpoint exactly where the attacks on the weekend of January 23 to 24 originated, but the groups' sites have been attacked before, usually at sensitive times such as the 20-year anniversary of the Tiananmen Square massacre last June and China's 60th anniversary in October. For about the last three years, human-rights sites have not been able to operate from within China's censored borders.

Whether China's "cyber militias" are merely teenage hackers or are state-supported is uncertain. What's for sure is that these are not randomly targeted Web sites. They include the Independent Chinese PEN Center and China Human Rights Defenders, which have been calling publicly for the release of Liu Xiaobo, the ICPC's former president and the co-author of the democratic manifesto called Charter '08. Similarly, the London-based International Tibet Support Network's Web site has been down three times in the last two weeks.

China-based hackers have also targeted the State Department, the Naval War College, NASA and the World Bank. The so-called "Titan Rain" and "Ghostnet" cyber-espionage campaigns starting in 2003 involved hackers systematically infiltrating thousands of computer systems in hundreds of countries. While there's no smoking gun, the Chinese military has heavily invested in equipping its cyber units, and there is a consensus in the U.S. defense community that the Chinese government at the very least tacitly supports thousands of hackers and cyberspace academics. Tibetan activist groups in particular have gotten used to cyber intrusions, which surged after unrest erupted in western China last March.

The hacking of the human-rights groups' sites may not seem as threatening as, say, an attack on critical infrastructure. But the intent is just as dangerous: to intimidate and silence those who try to speak up for the Chinese people. Even more reason for the U.S. and other free nations to bolster their defenses.

Uncle Sam Wants You

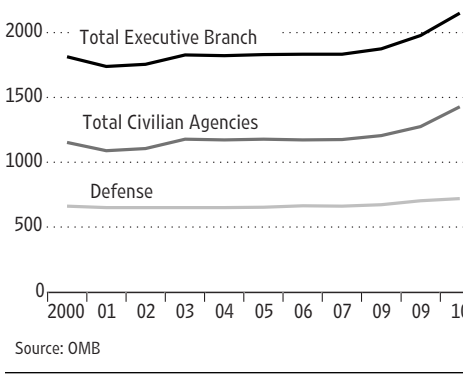
One of President Obama's tropes is to disavow any desire for bigger government, but the facts in his new $3.8 trillion budget show he is getting it whether he wants it or not. One revealing detail is the boom in federal employment to levels last seen at the end of the Cold War.

"Civilian full-time equivalent employees," as they're known in budgetese, held relatively constant before Mr. Obama came to Washington, but they surged to 1.978 million in 2009 from 1.875 million in 2008. In fiscal 2010, the Administration expects to add another 170,000 workers—a 14.5% leap in two years. The nearby chart shows the trend in civilian executive-branch hiring since 2000, not including the Postal Service.

The 2.148 million federal employees in 2010 will be the largest number since 2.169 million in 1992, when the Clinton Administration started in earnest to unwind the Cold War defense buildup. So perhaps the wars in Afghanistan and Iraq explain the federal jobs boom? Hardly. The military employed some 973,000 civilians in 1992, which declined to some 671,000 in 2008 before climbing back to an anticipated 720,000 in 2010.

Federal Jobs Boom

Full-time equivalent employees: defense, total civilian agencies and total executive branch, not including uniformed military or Postal Service, 2000-20010



Source: OMB

The real jobs boom is in the federal agencies, not the military—to 1.428 million in 2010, from 1.204 million in 2008 and 1.09 million in 2001. So, for instance, the Agriculture Department will jump to 101,000 in 2010 from 94,000 in 2008, Justice will surge to 119,000 from 106,000, and Treasury to 114,000 from 107,000. We could go on.

Mr. Obama blames the government's all-time high deficits and other budget predicaments on his predecessor, but no one forced him to hire all these new public employees. Presumably, these tens of thousands of new workers are needed to hand out stimulus grants, or monitor this or that new program, or investigate private business (a 10% increase in SEC staff in fiscal 2011, for example). And that's before health care and cap and tax.

No wonder more college graduates are saying they want to head to Washington, and that the Beltway metropolis has been spared the brunt of the recession. That's where all the new jobs are.

Comments? The Journal welcomes readers' responses to all articles and editorials. It is important to include your full name, address and telephone number. Please send letters to the editor to: **Letters@WSJ.com**

OPINION

Letters To The Editor

* * *

Malaysia's Muslims

Regarding Prime Minister Najib Razak's op-ed ("Finding Unity in Malaysia's Diversity," Jan. 26): Contrary to popular belief, being a Muslim in Malaysia is hard. Aspects of one's personal life that people take for granted are sometimes dictated by policy or regulation set seemingly arbitrarily by some government or religious agency. In March 2008, Malaysia's National Fatwa Council announced that yoga is not to be practiced by Muslims for fear of being influenced by Hindu chants (although then Prime Minister Ahmad Badawi later said yoga was okay for Muslims as long as they avoided chanting). A non-Muslim must convert before marrying a Muslim, while an ethnic Malay is automatically a Muslim from cradle to grave irrespective of his personal belief system.

I am a proud Malaysian Muslim but I bemoan the fact that choice is taken away by officials who fear for a Muslim's moral well-being, and I find it insulting that my personal integrity and faith is called into question without regard to my education, upbringing or exposure to the world. The authorities' focus seems to be on the religiosity of Islam rather than the exploration of what the religion really means to us on a day-to-day basis. Much is said about catching Muslims drinking alcohol in public places, but substantially less is said about Muslims in public positions abusing the trust placed on them by the people.

Najib Razak

I fail to see how policies to create a single unified nation can be put in place when major regulations affecting a Malaysian's life are aligned along racial and religious lines.

Alizakri Alias
Kuala Lumpur

* * *

Saying 'Allah' in Malaysia

It was refreshing to read Anwar Ibrahim's commentary on the dispute over the use of the word "Allah" by Christians in Malaysia ("Muslims Have No Monopoly over 'Allah,'" op-ed, Jan. 26). The nation of Islam needs more leaders like Mr. Anwar who have the courage to go against the tide of Muslim fundamentalism.

Anwar Ibrahim

My personal experiences in Malaysia have been very favorable. However, the ongoing clashes between Malaysian Muslims and non-Muslims outlined in Mr. Anwar's op-ed give me reason to contemplate an alternative retirement scenario in a non-Muslim country. Hopefully Mr. Anwar's words will create the beginning of a movement for all segments of Malaysian society to coexist peacefully.

Timothy Jett
Shanghai

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Not Ready for Groupthink

Sadanand Dhume's "India's Groupthink on Islam" (op-ed, Jan. 28) was an exercise in hypocrisy. It's not just the Indian debate about Islam that "has remained frozen in a time warp." Indian society suffers from some serious human- and gender-rights abuses—caste atrocities, dowry harassment and deaths, female feticide, honor killings.

Incidentally, there were three Dalit (or backward caste) writers, too, at the Jaipur Literature Festival who did not even merit mention in Mr. Dhume's introductory paragraph. Only when a society acknowledges its own problems and works effectively towards resolving them does it earn the right to enter a discussion of the kind Ayaan Hirsi Ali participated in. Indian society, sadly, hasn't done so yet.

Raynah Sivaraman
Taguig, Philippines

* * *

Empire Membership Had Some Benefits

Terry Miller's "The U.S. Isn't as Free as It Used to Be" (op-ed, Jan. 20) about the Index of Economic Freedom shows that seven out of the first eight countries (from a total of 179) were, at one time, British colonies.

Does this indicate that the English had a knack for producing free societies, or is it the language? I'm sure that Winston Churchill would be proud.

The United Kingdom itself appears at number 11, a lower rating probably due to its membership in the very bureaucratic European Union.

Mike Whitehead
Poway, Calif.

The Summer of '67

[Bookshelf]

Hong Kong's Watershed: The 1967 Riots
By Gary Ka-wai Cheung
(Hong Kong University Press, 241 pages, $25)

May Days in Hong Kong: Riot and Emergency in 1967
Edited by Robert Bickers and Ray Yep
(Hong Kong University Press, 222 pages, $23)

By Frank Ching

More than four decades ago, Hong Kong was rocked to its foundations when the Cultural Revolution spilled over from China. For several months in the summer of 1967, there were violent protests, homemade bombs and death threats. The horrors culminated in the horrific murder of a popular anticommunist radio commentator who was set on fire after he was pulled from his car and doused in gasoline. In London, nervous officials seriously considered evacuation of the British community. In Hong Kong, many thought the colony's days were numbered and decamped for Canada and other foreign parts.

The leaders of Hong Kong today have tried to forget the violence that rocked the territory 43 years ago.

It's surprising, given the import of these events, that until recently there were no book-length accounts in English of what happened in 1967. No public record of the tense discussions between the colonial government and the Foreign and Commonwealth Office in London. Nor of the interplay between Hong Kong leftists protesting on the streets and their supporters in Beijing, who themselves were split between radical Maoists and moderates led by Premier Zhou Enlai.

Now however that gap has finally been filled—not by one book but by two, both published by Hong Kong University Press. "Hong Kong's Watershed: The 1967 Riots," by South China Morning Post journalist Gary Ka-wai Cheung, is readable and engaging and makes available to English readers information that he had used to write a Chinese book in 2000. "May Days in Hong Kong," edited by Robert Bickers and Ray Yep, is a compilation of academic essays and attempts to put the 1967 events in a broader context, investigating topics like the banking and financial impact of the riots and the reform of labor laws.

While neither pretends to be definitive, taken together they provide a superb account of the crisis that almost brought an end to British rule in Hong Kong 30 years before the due date. Both narratives trace the roots of the crisis back to the December 1966 riots in Macau. Left-wing demonstrators occupied Government House and events spiraled out of control as the police opened fire. During the riots in following days eight protesters were killed. The Portuguese governor eventually issued an apology, agreed to pay compensation to families of the dead and injured, and dismissed senior officials. Although Portugal continued to administer Macau in name, it had yielded to China the right to make all sensitive political decisions.

The effect of all this was to convince London that a harder line should be taken in Hong Kong. "In British eyes, the [Macau] situation had only managed to get so out of hand because of what they and many others saw as a Portuguese surrender to the communists," Mr. Bickers writes.

Tensions in Hong Kong were already growing by early 1967, as the Maoist fervor of the Cultural Revolution infected thousands of young Communists with a militant zeal. The spark that started the conflagration was a simple labor dispute in a local factory, the Hong Kong Artificial Flower Works, which laid off 658 workers because of slowing business. Although such dismissals were common, this event spiraled into protests, arrests and eventually large-scale demonstrations, egged on by the pro-Beijing Federation of Trade Unions as well as left-wing newspapers, which used this as an issue to criticize the British colonial government.

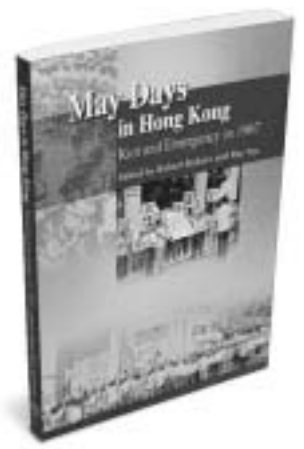
The agitation proved too much for both London and Hong Kong. On August 9, with London's approval, Hong Kong police arrested the editors and publishers of three Communist newspapers and suspended publication of the papers. On August 20, China's Ministry of Foreign Affairs issued an ultimatum: Release the left-wing journalists in detention and lift the ban on the newspapers within 48 hours. The demand was rejected and two days later Red Guards stormed the British mission, set fire to the building and beat up British diplomats.

Although the 48-hour ultimatum was issued in the name of the Chinese government, the British judged that Beijing was not behind the arson or the violence. Mr. Cheung writes that Donald Hopson, the British chargé d'affaires in Beijing, telegraphed to London on June 2, 1967 that "from what has happened so far it seems probable that the CPG [Chinese People's Government] did not deliberately start the trouble. The left wing in Hong Kong may have gone further than the CPG wanted. . . The CPG was thereby forced to intervene politically in support of the left wing."

However the arson and beating of British diplomats was not sanctioned, as Mr. Cheung's reporting makes clear. Premier Zhou issued a formal apology in 1971, after the British diplomatic compound had been renovated to repair the damage. In 1972, long after the protesters had left the streets, China and Britain exchanged ambassadors in a sign of improving diplomatic relations.

But today's Hong Kong government has evidently decided that this entire episode is best forgotten. As Mr. Cheung notes, in the Hong Kong Museum of History, which features The Hong Kong Story, a permanent exhibition at the government-run museum, "none of the over 4,000 exhibits displayed in the galleries is related to the 1967 disturbances."

Mr. Cheung also reports that within months of China's resumption of sovereignty over Hong Kong in 1997, Chief Executive Tung Chee-hwa extended an invitation to have tea at Government House to a group of aging leftists, including Yeung Kwong, the



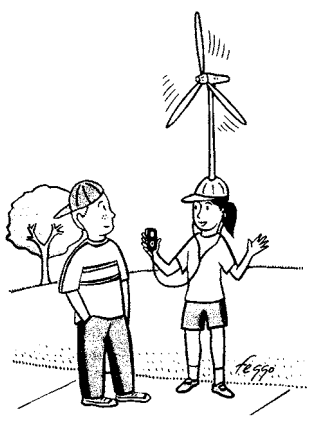
pro-Communist director of the All-Circles Anti-Persecution Struggle Committee, the body in charge of left-wing activities during the riots. This was seen by pro-democracy politicians "as an official endorsement of the anti-British riots and bombing campaigns," Mr. Cheung writes. Then in 2001, the chief executive awarded Hong Kong's highest honor, the Grand Bauhinia Medal, to Mr. Yeung. This was a controversial step, to say the least.

But the people of Hong Kong are not about to forget the horrors of 1967—even if the literature has been slow to catch up. In fact as this review went to press, Hong Kong bookstores reported that both of these books were sold out.

Mr. Ching is the author of "Ancestors: 900 Years in the Life of a Chinese Family" (Rider, republished 2009).

Pepper . . . and Salt

THE WALL STREET JOURNAL



"It recharges my iPod."

OPINION

The China Export Edge

By Alexandra Harney

Anyone pinning their hopes on a rapid revival in American manufacturing as a result of a revaluation of China's currency needs to meet Ben, the owner of a coastal Chinese shoe factory.

Conventional wisdom holds that exporters in China like Ben, a Chinese man who asked that his surname be withheld to protect his competitive advantage, should have been devastated by the Great Recession of 2008-09. China's export volume shrank 16% in 2009, and some 23 million migrant workers lost their jobs in the downturn.

Productivity gains are so entrenched that a yuan revaluation won't send business elsewhere.

But last year was Ben's best ever. As his competitors teetered, Ben invested $2 million in new equipment to shift away from making cheap, no-brand shoes and into steel-toe work boots, hiking shoes and branded athletic footwear. He now produces these under contract for well-known Western companies. Ben's average selling price has almost tripled. Sales are up more than 50% year-on-year.

China has turned the Great Recession into the Great Opportunity, growing its share of imports in the United States to 19.1% from 15.9% between November 2008 and November 2009. That share is only going to increase, regardless of what Beijing does with the yuan. After years of accumulating market share and building the infrastructure to supply the global market with the help of an undervalued currency, China's advantage is so entrenched in certain industries that a yuan revaluation is unlikely to divert substantial volumes of orders to other countries.

While the years of profligate American consumer spending were boom times for Chinese exporters, the slowdown was like a one-year MBA program: It forced surviving exporters to focus on the bottom line, invest more in research, development and product design, and find new markets for their products. "We need to reduce labor intensity and improve productivity, or else we'll lose orders to our competitors," says Ben, who counts some 6,000 rivals in his city alone.

The Great Recession also threw into relief China's importance to global economic growth, reinforcing its allure as a sourcing destination. Companies increasingly want to sell to China, not simply manufacture there. Lou Longo, head of global services at Chicago-based advisory group Plante & Moran, says he sees U.S. companies buying from factories in China not only to take advantage of lower costs, but to learn their way around the local market.

In sector after sector, the story is the same: Even as the total pie of U.S. imports shrank, China amassed a larger piece. In the first nine months of 2009, there were

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81 products from China that saw imports to the U.S. expand by more than 20% and prices decline by at least 20%, according to data from the Census Bureau.

Of those products, roughly one-quarter were textiles, apparel or shoes. Between January and November, China's share of nonknitted apparel and clothing imports into the U.S. rose to 41.6% from 37.2%, according to Global Trade Information Services, a South Carolina-based supplier of international trade data. Its share of consumer electronics rose to 33.9% from 31.9%. In pharmaceuticals, cameras, medical devices, ceramics, rubber, plastics and even fish and seafood, China has gained share.

Take tilapia: American imports from China of frozen fillets of this popular fish leapt 15% by volume in the first ten months of 2009. Norbert Sporns, chief executive of HQ Sustainable, a Seattle-based fish processor that buys from aquaculture farms in the southern Chinese province of Hainan, estimates about 80% of frozen tilapia sold in the U.S. comes from China.

"The major reason why we're sited in Hainan is not because of cheaper labor, but because of government support, because of the infrastructure that is laid out properly," he says. Most U.S. states, he says, "choose not to lay out the infrastructure" to support aquaculture. Concerns about environmental damage from fish farming make aquaculture controversial in the U.S.

The same logic applies to computers and consumer electronics. China's role now extends beyond assembly: Big global electronics brands used to assemble their products in China and then ship them to other countries for "flavoring"–industry lingo for tailoring a user manual, power supply cord or keyboard to an individual market. Computers destined for Europe would be flavored in Holland, for instance. Today, they are flavored in Shenzhen, in southern China. As big brands streamline their supply chains to reduce inventory and shorten products' time to market, it's easier to move these services to China, where the products are made, than to move the manufacturing elsewhere.

These examples show both how U.S. companies' cost-cutting efforts are driving business to China and how Chinese manufacturers have boosted their competitiveness independent of currency policy. Indeed, Chinese factories are already shoring up their defenses in anticipation of a revaluation. Ben, the shoe factory owner, is consolidating orders from suppliers into fewer shipments to save on logistics costs, limiting air conditioner use to cut his electricity bill, and installing solar panels and LED lights to qualify for a modest local government subsidy for companies that invest in environmentally friendly technology.

Proponents of a Chinese revaluation often claim it would contribute to a global rebalancing between high-consuming Americans and high-saving Chinese. The reality is that China has strong competitive advantages in manufacturing that will exist for the foreseeable future, whatever the exchange rate. Just ask Ben.

Ms. Harney, the author of "The China Price" (Penguin, 2008), is a visiting scholar at the Center of Asian Studies at the University of Hong Kong.

Seven Myths About Iran

[Global View]

By Bret Stephens

"We have been trying to negotiate [with the Iranians] for five, six years. We've tried everything. We have met every Iranian. We have tried to open every possible channel. We've had new ideas and the result is this: nothing."

Thus did a senior Western diplomat recently describe to me his country's efforts to reach a negotiated settlement with Tehran over its nuclear programs. In doing so, he also finally disposed of the myth, nearly a decade in the making, that Iran was ready to abandon those programs in exchange for a "grand bargain" with the West.

Let's dispose of a few other myths—and hope it doesn't take years for the lesson to stick:

(1) Military strikes on Iran's nuclear facilities would accomplish nothing.

That's the argument made by Defense Secretary Robert Gates, who last year told a Senate Committee that "a military attack will only buy us time and send the program deeper and more covert."

Maybe so, but what's wrong with buying time? Israel's 1981 attack on Iraq's Osirak reactor also bought time while driving Sad-

Associated Press

Those are not peace signs.

dam's nuclear programs underground. But it ensured that it was a non-nuclear Iraq that invaded Kuwait and threatened Saudi Arabia nine years later, a point recognized by then-Defense Secretary Dick Cheney when he thanked the Israeli commander of the Osirak operation for making "our job much easier in Desert Storm."

(2) A strike would rally Iranians to the side of the regime.

The case would be more persuasive if the regime had any remaining claims on Iranian patriotism. It no longer does, if it ever did. It also would be more persuasive if the nuclear program were as broadly popular as some of the regime's apologists claim. On the contrary, one of the more popular chants of the demonstrators goes, "Iran is green and fertile, it doesn't need nukes."

Yet even if the nuclear program enjoyed widespread support, it isn't clear how Iranians would react in the event of military strikes. Argentine dictator Leopoldo Galtieri whooped up a nationalist fervor when he invaded the Falklands in 1982, but was ousted from office just a week after Port Stanley fell to the British. When a regime gambles its prestige on a single controversial enterprise, it cannot afford to lose it.

(3) Sanctions don't work, and usually wind up strengthening the regime at the expense of its own people.

That's only true when the sanctioned regimes have strong internal controls, relatively pliant populations, and zero interest in international respectability. It's also true that sanctions alone are never a silver bullet. But as Mark Dubowitz of the Foundation for Defense of Democracies points out, they can be "silver shrapnel," particularly when the target country is as politically vulnerable as Iran is now, and when it is also critically reliant on the consumption of imported gasoline.

That's why the House was right when it overwhelmingly approved the Iran Refined Petroleum Sanctions Act in December, and when the Senate unanimously passed a similar bill (against the administration's objections) last Thursday. Over time, the regime will surely find ways to skirt the sanctions, which prohibit companies that do business in Iran's energy sector from also doing business in the U.S. But in the critical short term, these sanctions might provoke the kind of mass unrest that could tip the scales against the regime.

(4) The world can live with a nuclear Iran, just as we live with other nasty nuclear powers.

Assume that's true. (I don't.) Can we also live with nuclear Saudi Arabia, Egypt and Turkey? The problem with the "realist" view is that it fails to take account of the fears a nuclear Iran inspires among the status quo regimes in its neighborhood. Containment was complicated enough during the Cold War. Now imagine a four- or five-way standoff among Arabs, Persians, Turks and Israelis, some religiously fanatic, in the world's most volatile neighborhood.

(5) The Iranian regime is headed for the ash heap of history. The best policy is to do as little as possible until it crumbles from within.

Communist regimes were also destined for the ash heap. Unfortunately, it took them decades to get there, during which they murdered tens of millions of people. It matters a great deal to Iran's people, and its neighbors, that the regime go quietly. But it also matters that it go quickly, and waiting on events is not a policy.

(6) The more support we show Iran's demonstrators, the more we hurt their cause.

This was the administration's view after the June 12 election, as it walked on tiptoes to avoid the perception of "meddling." The regime accused the U.S. of meddling all the same.

But protest movements like Iran's (or Poland's, or South Africa's) are sustained by a sense of moral legitimacy that global support uniquely conveys. When will American liberals get behind Iranian rights, as they have, say, Tibetan ones? Maybe when President Obama tells them to.

(7) Israel will ultimately dispose of Iran's nuclear facilities.

The more policy makers fall for the first six myths, the less mythical the seventh one becomes.

Write to bstephens@wsj.com

CORRECTION

The current recall of Toyota vehicles for unintended acceleration is the largest recall in Toyota's history, and one of the largest automotive safety recalls ever. Paul Ingrassia's Feb. 1 op-ed, "Toyota: Too Big, Too Fast," incorrectly said the recall is the largest in automotive history.

IN DEPTH

An Army Special Forces team hunts for Taliban fighters in Barghantu, Afghanistan.

Michael M. Phillips/The Wall Street Journal

U.S. steps up its missions targeting Taliban leaders

Behind efforts to woo the Afghan people through good government, growth and security is more forcible campaign

By Michael M. Phillips
Barghantu, Afghanistan

The tunnel entrance was no more than 45 centimeters high. Matt, a U.S. Special Forces soldier, stripped off his body armor, dropped his rifle and wriggled through the gap, pistol and flashlight leading the way. Some 45 meters in, his beam caught a shape: a bearded man hiding behind a pile of rocks.

Cornered, the man stood and greeted Matt with a smile, as if their underground rendezvous were a scheduled appointment between friends. Instead, he was frisked, handcuffed, bundled into a helicopter and taken away for questioning.

The U.S. military is deploying tens of thousands of fresh troops in a much-publicized strategy to woo the Afghan people through good government, economic growth and security. Yet behind the battle lines, the U.S. is quietly escalating a more forcible campaign.

In recent months, small teams of Army commandos, Navy Seals and Central Intelligence Agency operatives have intensified the pace of what the military often calls "kill-capture missions"—hunting down just one or two insurgents at a time who are deemed too recalcitrant to be won over by any goodwill campaign.

The Pentagon's fiscal 2011 budget, released Monday, called for increasing the number of elite Special Operations troops, buying larger numbers of aerial drones and expanding the amount of military and financial assistance to Yemen, the home base of the al Qaeda offshoot that claimed responsibility for the failed Christmas Day bombing of a crowded U.S. airliner. Meanwhile, the U.S. is trying to determine whether a U.S. drone strike in mid-January killed the leader of the Pakistani Taliban, though that group said Monday he is still alive.

"You've got to kill or capture those bad guys that are not reconcilable," Gen. David Petraeus, chief of U.S. forces in the region, told the Senate Foreign Relations Committee in December. He said coalition commanders plan to escalate counterterrorism efforts in Afghanistan even more in the coming months. The CIA plans to increase its presence by 25%, though it won't provide exact numbers.

On Monday, four NATO soldiers, including one American, were killed in separate attacks in southern and eastern Afghanistan, three of them the victims of improvised bombs that have been taking a heavy toll on coalition troops.

The deaths made Monday the deadliest day for the NATO forces in the last two and half weeks.

Two British soldiers were killed in a roadside bomb attack near Malgir, in the southern province of Helmand, the British ministry of Defense said. Another bomb in the western provincial city of Qala-e-naw killed a Spanish soldier whose vehicle was escorting a United Nations World Food Program relief convoy.

The U.S. soldier, killed in a southern province, died in a firefight, said the North Atlantic Treaty Organization command. NATO doesn't release the identity of casualties until next of kin have been notified.

At least 51 NATO service personnel, including 31 Americans, have been killed so far this year, according to Icasualties.org, a Web site that tracks the casualties of the coalition forces in Afghanistan and Iraq. Most of these solders have been killed by improvised explosive devices, known as IEDs, which have become the insurgents' weapon of choice in their fight against the NATO forces in Afghanistan.

Gen. Stanley McChrystal, the top allied commander in Kabul, made his name commanding similar special-operations forces in Iraq and sending them after hundreds of key insurgent and al Qaeda figures. His success was considered crucial to salvaging the Iraq war.

He recently told his staff in Kabul, "It's not the number of people you kill—it's the number of people you convince." But the stick remains as integral to his strategy as the carrot.

Typical of this approach is the December Special Forces raid on Barghantu in Zabul Province, a popular transit route for insurgents. During a six-month combat tour, which just ended, the soldiers stationed there conducted more than 100 operations to target Taliban commanders and facilitators, seize their weapons, disrupt their bases and destroy their sense of security.

Barghantu is a village of perhaps 300 people living in a few dozen mud-walled compounds spread out along about 900 meters of orchards and dry river bed. Intelligence reports suggest the village serves as a bedroom community for passing insurgents.

The raid has two targets: "Objective Albany," a compound thought to be used to manufacture roadside bombs; and "Objective Syracuse," a man thought to be the local coordinator for bomb makers.

Two Blackhawk helicopters insert teams in and around the village. The first teams hit the eastern and western sections of the village at about 8 a.m., beginning the search for fighters and weapons. Another team is dropped off along the parched riverbed, or wadi, to block anyone trying to escape in that direction, while another team, headed by company commander Maj. Mike, sets up a command post on a rocky

IN DEPTH

(Clockwise from bottom left) Michael M. Phillips/The Wall Street Journal (2); U.S. Army Photo

Clockwise from top: Army nurse Maj. Steve Graham treats a wounded Taliban fighter in an ambulance at a base in Zabul province; Capt. Josh, an assault-team leader, at an entrance to the tunnel in Barghantu village; and Sgt. First Class Lance, a Special Forces soldier, awaits pickup after a mission in Zabul.

spur a few hundred yards above the village. The ridge is so narrow that the pilots have to balance the helicopter on its front wheels while the soldiers leap out. The Special Forces allowed a reporter to go along on the operation on condition that the soldiers' last names not be published and that certain tactical details be omitted.

The command team sets up machine-gun positions at opposite ends of the spur. They spot two boys on the barren mountainside collecting dry plants for kitchen fires. The soldiers escort the boys down to the command post so they won't tip off the Taliban. Soon, two more boys join them, huddling in thin shawls against the morning cold. The major gives them a Snickers bar and some trail mix. One boy accepts with a smile; another does so sullenly.

A half-hour into the operation, the soldiers scouring the village have already rounded up nine fighting-age males for questioning in the village's eastern section. But villagers tell them the bomb facilitator they're seeking left two days earlier.

The troops, with help from Afghan army soldiers, search a small compound at the base of the spur. They lead two men in turbans out of the house, bind their hands with plastic cuffs and walk them away through the bare orchards. A woman in blue and green robes stands outside the door, a baby in her arms, and wails in a voice that pierces the valley.

Soldiers in the western part of the village meet a man who offers to identify the local Taliban fighters. They show him photos of the men they've rounded up and he points to two of them; the names match those on a list of suspects the soldiers brought with them. Before loading the suspects onto a helicopter, the soldiers give them a final pat-down and discover a hand-grenade fuse on one. It's a small explosive, not the whole grenade. But it has enough force to blow off fingers, and could create chaos inside the Blackhawk.

Elsewhere, soldiers are still looking for the bomb facilitator, in hopes that he hasn't actually left town. The man found hiding in the tunnel turns out to be his father. He says he hid because he's scared of helicopters, but the soldiers find a mortar round hidden inside a wall in his compound. The explosive material has been removed, and the soldiers suspect it has been used for a roadside booby trap. "That guy is coming with us," says the company sergeant major.

At 11 a.m., soldiers are still searching for the bomb-making compound. A villager tells them it's the one kitty-corner from a small mud mosque. Sgt. First Class Clayton, a 26-year-old Texan, takes four Afghan soldiers to have a look.

They don't find any bomb-making materials, but they do discover something else, hidden under a pile of hay: a pair of U.S. Army fatigue pants. It's an alarming find—there have been intelligence reports that foreign insurgents plan to dress in American uniforms during attacks on coalition troops.

Meantime, two armed men are spotted running on a ridge a couple of thousand meters above the village. The deep tattoo of cannon fire echoes through the hills as two Apache attack helicopters strafe the men, apparently killing them, then return to the base to refuel. After they're gone, an unmanned surveillance plane sees a dozen more men emerge from the rocks and make their escape.

Just after noon the Blackhawks begin returning in waves, collecting the troops and the suspects they're taking for further questioning. When his Blackhawk sets down, Capt. Josh, an assault-team leader, climbs in and connects to the helicopter's intercom. The pilots tell him that on the way in they saw two more armed men trying to hide in the hills.

"Can y'all put me down on that target?" asks Josh, a 36-year-old from Mississippi.

The helicopter circles the trackless hills and flies over a herd of grazing sheep. In a sloping valley below, the pilots point out an oblong ring of crumbling rock wall, perhaps nine meters across at its widest.

A red motorcycle leans against the enclosure wall. Nearby, a man holds his hands up in surrender. While one Blackhawk circles above, Josh's helicopter touches down. Afghan and American soldiers pour out and shout at the man to stop.

Moments later, a second man appears about 90 meters uphill. He wears a light gray turban and a threadbare pinstriped vest over a mustard-colored tunic.

The Afghan soldiers yell at him to halt. Instead, he bolts up the gradual incline, the barrel of an AK-47 poking out of his loose-fitting clothes. From his pocket emerges the antenna of a two-way radio commonly used by insurgents. Josh tells Lance, a 32-year-old, red-bearded fellow Mississippian, to fire a warning shot. Lance fires two.

In the helicopter above, Marc, a 32-year-old Coloradan, sees small fountains of earth erupt as the warning shots hit dirt. He leans and fires four more shots into the ground behind the man.

Instead of stopping, however, the man runs faster, dropping his rifle and radio in the rocky crevasses. He's about 250 meters away when Josh gives the order: "Burn him down."

Josh, Lance and an Afghan soldier with a sniper rifle open fire. One shot hits the man in the right shoulder, but he keeps running. A second slams through the bone in his upper right arm. His arm flinches, and he spins around before regaining his balance and taking off again. "I can't believe that son of a bitch ain't going down," Lance tells Josh. Josh's next shot hits the man's thigh, knocking him to the ground.

When Josh reaches him, the man is lying on his side. "Come here," Josh yells in Pashtu, the local language. Josh knows the man can't stand, but doesn't know how to say, "Hands up."

The team medic quickly bandages the man's arm and leg to stanch the bleeding. Four soldiers use the man's blanket as a makeshift stretcher to carry him to the landing zone.

An hour after he was shot, the suspected insurgent is in the trauma ward of the 758th Forward Surgical Team at a coalition base in Qalat, capital of Zabul Province and about 40 kilometers from Barghantu.

Maj. Lisa Coviello, a general surgeon in a black "Operation Enduring Freedom 2009-10" T-shirt, cuts away his clothes, searching for additional injuries.

The 40-year-old Chicagoan is on call 24 hours a day. She says most nights she gets into bed around 2 a.m. and lies awake until dawn, her mind zigzagging with thoughts of broken bodies. "Please, God, let me sleep," she says to herself.

Dr. Coviello discovers a bullet hole on the right side of the man's abdomen. As she works on him, the man lifts his head and looks down his bloody torso to see a bulbous pink section of his own small intestine, about the size of a tennis ball, protruding from the wound. He moans and drops his head back to the stretcher.

His blood pressure falls dangerously low and his eyes assume a glaze of indifference. He's circling the drain, thinks Dr. Coviello. The trauma team struggles to locate a vein plump enough for an IV. Nurses and medics hold him down while the doctor inserts one into the femoral vein near his groin. They pump in six units of blood, from a supply collected beforehand from U.S. troops. His blood pressure recovers.

In the operating room, Dr. Coviello opens his abdomen and discovers that the bullet has torn 15 holes in his intestinal tract. She removes a damaged section of bowel, reconnects the ends and stitches up the remaining holes.

The man regains consciousness in the recovery room. Soldiers scan his irises and take finger prints. They ask him questions. He is, he says, a Taliban fighter.

—Siobhan Gorman, Peter Spiegel, Yochi J. Dreazen and Habib Zahori contributed to this article.

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Online today: See photos from the mission in Barghantu at **WSJ.com/World**

HEALTH

AIDS war hangs in balance

U.S. curbs help for Africa just as number of people requiring treatment has skyrocketed

By Michael Allen

KAMPALA, Uganda—Ninsiima Agatha, a 20-year-old mother of two, showed up at a medical clinic here last month, weak, coughing, and desperate to save herself and her two children. She had just discovered that her husband was infected with HIV—and now she had the virus too. If she didn't get access to life-saving drugs quickly, she could easily pass the disease to the baby she was breast-feeding.

But the staff at the Joint Clinical Research Centre had to tell her the bad news. Even though her husband, a clothes merchant with a girlfriend on the side, was already receiving the so-called AIDS cocktail of drugs elsewhere, there would be none for her. The clinic had enrolled its full quota of patients under its contract with the U.S. government. Ms. Agatha, sprawled on a hospital bed with a toddler and an infant, could barely move. "I feel desperate," she said.

Seven years after the U.S. launched its widely hailed program to fight AIDS in the developing world, the battle is reaching a critical turning point. The growth in U.S. funding, which underwrites nearly half the world's AIDS relief, has slowed dramatically. At the same time, the number of people requiring treatment has skyrocketed.

And lately, the global campaign to prevent new infections has suffered some reversals. In Uganda, a lush East-African country that once stood out as a shining star in the fight against AIDS, the rate of HIV in the population has begun to tick up again after a long decline. That's putting an even greater strain on a health system that's struggling to cope with the hundreds of thousands who already have the disease and could be a harbinger of what's to come in the rest of Africa.

"I personally worry that Uganda showed the way on how best to fight the disease and now is in danger of showing how to lose the fight," says Dr. David Serwadda, a professor at Makerere University School of Public Health in Kampala and a pioneer in researching the origins of the AIDS epidemic.

The most immediate concern is getting enough lifesaving drugs to all those who need them. Under the Bush administration, the President's Emergency Plan for AIDS Relief, or Pepfar, set aggressive goals for getting people with HIV, the virus that causes AIDS, into drug therapy, eventually enrolling some 2.4 million by the end of last year. The Obama administration, which plans to expand international AIDS treatment to at least 4 million by 2013, nevertheless has kept Pepfar spending nearly flat so far. The federal budget for fiscal 2011, released Monday, allocates $7 billion for Pepfar, against $6.8 billion the prior year. Critics are questioning whether the reduced spending pace means the administration doesn't plan to use the full $48 billion authorized by Congress by 2013.

"Unless the promised funding is forthcoming soon we will see an absolute disaster in the next year or so," says Shepherd Smith, a longtime Christian activist for HIV issues in Africa. "The human tragedy that is nearly upon us is significant and I believe will be a huge disservice to the people of the United States because we will be unable to keep humanitarian commitments we have made."

Eric Goosby, President Barack Obama's AIDS czar, said the president is committed to the AIDS fight despite the global economic decline, adding that the U.S. doesn't intend to turn away anybody who needs treatment: "Our commitment to universal coverage hasn't wavered."

The challenge is enormous. Some 33. 4 million people world-wide have HIV, and under new guidelines by the World Health Organization, the number eligible for treatment has grown to 14 million, dwarfing the 4 million in treatment currently. Another 2.7 million people become infected each year. Those who don't die first will eventually need to take antiretroviral drugs, a mixture of medications that helps the body suppress the disease and must be taken every day for life. The therapy, which doesn't cure AIDS but allows people with HIV to live normal lives, means the number of people who need drugs will continue to grow.

One irony is that lifesaving medicine makes the prevention message harder to deliver. That much is clear in Uganda, once a leader in preventing the spread of HIV.

In the 1980s, long before foreign aid groups arrived on the scene, President Yoweri Museveni grasped the seriousness of the disease, known as "slim" for its debilitating effects. He made it his personal mission to mobilize the country. At the time, there was no known treatment for AIDS, which at its peak infected around one in five Ugandan adults. The government's message was simple, delivered relentlessly on radio to the sound of beating drums: AIDS kills. In 1988, Ugandan music sensation Philly Lutaaya announced he had AIDS and spent his final days, gaunt and ridden with sores, touring the country to raise awareness.

The solution was a homegrown remedy that came to be known by its shorthand, ABC. The only escape, went the government message, was to practice abstinence until marriage and to be faithful after-

Dominic Nahr for The Wall Street Journal

Ninsiima Agatha, who is HIV positive, was denied tr

It's making more than just headlines.

The Airbus A380 has made its name as the world's largest, greenest passenger aircraft. But the big news is that the A380 is also making big profits for operators. Whether it's being used to reduce the number of flights and create real cost savings while keeping similar capacity. Or to offer more capacity with fewer take-off slots at a lower cost per seat than any other large aircraft. Either way, passengers simply love it, and operators love the commercial advantages it brings. The A380's benefits are in hard cash, not just headlines. Airbus A380. See the bigger picture.

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HEALTH

eatment after a Uganda AIDS clinic filled its quota.

wards—and if all else failed, to use condoms. The prevalence of AIDS eventually fell to around 6% of the adult population, and ABC was soon in use in much of Africa.

But over time, Ugandans agree, they let down their guard. Some here say it was only natural for President Museveni to declare mission accomplished and move on to other pressing needs. Others say ideological battles in Washington played a role. U.S. congressmen quarreled over how much of the growing AIDS budget should be allocated to preaching abstinence and fidelity and how much to condom use. Nongovernmental organizations here that were accustomed to advocating a range of prevention options say they sometimes felt paralyzed.

But the biggest distraction from prevention was likely the sudden flood of lifesaving drugs beginning in 2005. Fear of HIV dissipated as memories faded about the disease's ravages. People gradually increased their number of sexual partners again. "Women are now more scared of getting pregnant than getting AIDS," says researcher Phoebe Kajubi, who conducted a survey in a poor area of Kampala funded by the AIDS Prevention Research Project at Harvard University.

"People think that when they get [anti-retrovirals] they get cured of HIV," says Joseph Lubega, a 30-year-old electrical engineer-turned AIDS activist. His cubbyhole office is crammed with tens of thousands of free condoms that go unclaimed. "People aren't using condoms like they used to." The result: New infections have begun to jump again, to around 135,000 per year, and prevalence is believed to be approaching 7%. "Really we took our eyes off of prevention and focused on treatment and care," says Dr. David Kihumuro Apuuli, director general of the Uganda AIDS Commission.

The increased infection rate is putting a heavy burden on healthcare providers such as JCRC, one of the preeminent research and care facilities in the country. As one of the early recipients of Pepfar money, JCRC aggressively enrolled people, swelling to 32,000, and hitting the limits of its contract even during the Bush administration. The campus has tents set up to handle the overflow of patients, and now sees over 300 people every day. It routinely turns away new enrollees now.

"The dilemma here is that we made a promise to patients—if they came here for HIV care, we said if you qualify for treatment, you'll get treatment," says Dr. Fiona Kalinda, clinical manager. "Now we have to tell them to go elsewhere."

In the case of Ninsiima Agatha, turned away in December by JCRC, no other clinic would take her on. And the news soon got worse. Dr. Peter Mugyenyi, JCRC's founder, says he just learned that Ms. Agatha's older child, an 18-month-old girl named Natero Mariam, died on Jan. 7 of AIDS, despite receiving drug treatment funded by the Clinton Foundation. Defying instructions from the U.S. not to add new enrollees, Dr. Mugyenyi says he's decided to begin dispensing drugs to the mother so that her remaining child, two-month-old Anisha Nabuuma, doesn't also catch HIV through breast milk. "The cheapest way to save the child is to treat the mother. In the process the mother's life will be saved too," he says. "Without doing this my conscience would be haunted."

Meanwhile, he's still trying "desperately" to find spots at other facilities for 82 women he can't accept into treatment. What's more, clinic doctors have detected disturbing cases of patients who are already on medication who are sharing their supplies with partners who can't enroll, In those cases, each patient gets too little medicine, raising fears that the practice could spawn HIV strains that are resistant to ARVs. "What's going on is terrible," he says.

At Catholic Relief Services, another big treatment provider, officials say they stopped taking all but a few new patients a year ago in Uganda. Jack Norman, country representative, says blocking new patients from drugs encourages the disease to spread. For one thing, people on ARVS are less contagious. "No drugs means no hope; people don't get tested and they run around and infect other people," he says. "It's a very dangerous cycle."

In theory, the Ugandan government will eventually take greater control over treatment, as more doctors and nurses get trained under U.S.-led programs. But that day is clearly far off. Last year, the U.S. provided $285 million toward Uganda's HIV/AIDS prevention and treatment efforts, or about 70% of the country's budget.

In many parts of the country, poverty is the biggest enemy. In the dirt-poor northeast, Amuria district health officer Dr. Eumu Silver makes the two-hour trek himself to tend to the people in one village because he can't find anybody else to take the job. The region has been beset by war, cattle rustlers and now an entrenched drought.

Herded into refugee camps, people spread the AIDS virus like wildfire. About 350 are currently on treatment, but Dr. Eumu figures as many as 600 are sick enough to qualify—if the single testing machine in the nearest big town weren't constantly on the fritz.

WSJ.com

Online today: See photos from HIV treatment clinics in Uganda at **WSJ.com/World**

FROM PAGE ONE

Bloomberg News

Toyota Executive Vice President Shinichi Sasaki, above in Nagoya, Japan, on Tuesday, says the company may have overlooked necessary auto-part reliability tests.

Toyota considers review of its reliability tests

Continued from first page

had expanded the recall to cover 180,000 U.S.-built vehicles sold in the Middle East, Latin America and Africa. Combined with previously announced recalls in the U.S., Canada, Europe, and China, the company said its world-wide recall for faulty pedals and floor mats had hit 8.1 million cars and trucks.

Mr. Sasaki began the press conference by bowing deeply and offering an apology to Toyota's customers. Appearing alone before a crowded room of reporters, he repeated over and over throughout the press conference the phrase *"okyakusama dai ichi"*—"customer first"—a concept that Toyota has been widely accused of forgetting as it pursued rapid global expansion.

Journalists pressed Mr. Sasaki to explain the continued absence from the public scene of Toyota's chief executive—Akio Toyoda, the grandson of the company founder—to explain the problems.

Mr. Toyoda has so far only given one brief impromptu television interview since the controversy exploded last week.

Mr. Sasaki said he was the "direct charge" of quality and thus the problem, and that Mr. Toyoda had personally told him "do whatever it takes" to put the customer first. "I dealt with this problem without worrying about the bottom line" and added that the fix may affect the company's earnings.

Mr. Sasaki acknowledged the recall had caused major damage to Toyota's reputation, and said he is "extremely concerned" about a possible sales slump. Already sales in the U.S. and elsewhere are slipping, and, given the severity of the recalls, Mr. Sasaki said he anticipates a "big hit" to Toyota's global sales.

On Monday, Toyota announced in the U.S. that it had begun shipping a fix to the sticky gas pedal problem that forced the company to recall millions of vehicles and stop selling eight models in the U.S. and some other countries. The fix is a metal part, a shim, which will be inserted into the gas pedal assembly to prevent it from becoming stuck in the depressed position.

Some industry insiders and regulators speculated that the gas pedal's electronics also were at fault. But on Tuesday, Mr. Sasaki said the company is convinced the sticky acceleration pedals aren't caused by faulty electronics.

Toyota has looked into the pedal's electronic sensors, and "as far as we can tell now, we have not found a single case where electronics played a role in the sudden acceleration issue," Mr. Sasaki said.

—Yoshio Takahashi contributed to this article.

Australia rate decision reflects Asia's growing influence

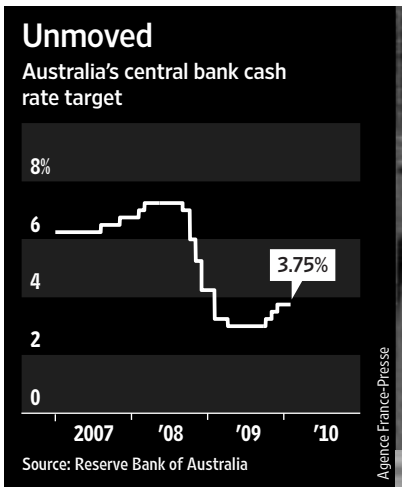
Continued from first page

it.

"China is very important this time around, much more than in the past," said Bill Belchere, chief economist for Mirae Asset Securities in Hong Kong. As China's demand for regional goods and materials expands in coming years, so will its influence over its neighbors' economic policy making. "You can see the transition starting to happen," he said.

Other central banks in the region are keeping close watch on China, though few economies are as purely driven by Chinese commodity demand as Australia's. Most of the region's exporters still rely heavily on consumer demand from the U.S., Europe and Japan.

Indonesian central-bank officials meet Thursday and are expected to leave rates steady. Indonesia sends much of its raw material exports to China, so a slowdown in China could damp the need to raise rates there. South Korea's rate-setting committee meets Feb. 11. Its faster-than-expected recovery has been attributed partly to Chinese demand for Korean construction equipment.



Agence France-Presse

The Reserve Bank of Australia in Sydney.

China's influence over its neighbors' economic policies in the region is also tied to its currency, which is fixed to the U.S. dollar. Central bankers in economies that compete directly with China, such as Thailand, Taiwan and Malaysia, could be reluctant to raise rates enough to fight inflation for fear of hurting exporters. Higher interest rates attract inflows of foreign capital and drive currencies higher, which make exports more expensive on the world market.

Asia's central bankers "know the time to tighten is already upon them," said Matt Hildebrandt, economist for J.P. Morgan in Singapore. The Philippines and India have both recently moved to tighten monetary conditions. Malaysia's central bankers noted a return of inflation to that economy, a signal that it will eventually start to tighten.

Mr. Hildebrandt said, however, that "China's gradualist approach to tightening monetary policy and its reluctance to allow currency appreciation against the dollar adds another layer of complexity for central banks in the region thinking about raising policy rates."

To be sure, Australia's move Tuesday wasn't just about China. The Reserve Bank's policy statement noted that market interest rates charged by Australian commercial banks had risen faster than the central bank's target and that it was prudent to wait and see how the economy performed over the coming weeks. The Reserve Bank meets again in March.

Australia's decision to slow down the rate increases won't mean a wholesale re-evaluation of the expected policy tightening in other economies exposed to China such as Korea, Taiwan or Indonesia. But it does mean the lead horse in the monetary-tightening race is pulling back, giving cover to central bankers to delay or scale back planned rate increases.

Australia has been at the vanguard of interest-rate tightening. Its economy never officially slipped into recession, having contracted only in the fourth quarter of 2008. The Reserve Bank on Tuesday kept its target steady at 3.75%.

The latest sign of China's appetite for Australia's raw materials will be on display Wednesday when Australia publishes December's trade figures. In the five months through November, merchandise exports to China were up 10.5% from a year earlier. Australia is one of the few developed nations that runs a trade surplus with China.

—James Glynn —contributed to this article.

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BUSINESS & FINANCE.

Wednesday, February 3, 2010 THE WALL STREET JOURNAL. asia.WSJ.com

Nomura swings to a net profit

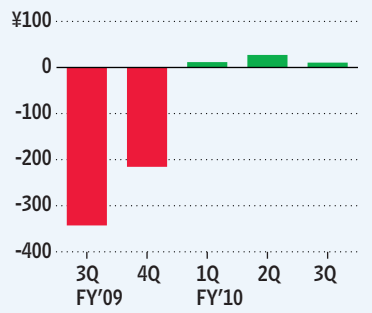
Fiscal third-quarter earnings fall short of expectations; brokerage sticks to forecast as U.S. expansion progresses

By Alison Tudor

TOKYO—**Nomura Holdings** Inc. swung to a fiscal third-quarter profit but fell short of expectations, as stabilizing financial markets slowed its business of making trades for clients.

Still, Japan's No. 1 brokerage by revenue pointed to its U.S. operations as a growth driver and stuck to its goal of reporting an annual profit, in a sign that its strategic goals are beginning to bear fruit.

Nomura posted a net profit of 10.2 billion yen ($112.5 million) in the three months ended Dec. 31, compared with a loss of 342.9 billion yen a year earlier, during the financial crisis. Strong investment-banking revenue was one driver, as a slew of equity offerings by Japanese financial companies made it the top Japanese investment bank in terms of volume of share sales, according to Dealogic.



Note: Fiscal years end March 31 of years shown.
Sources: the company, Bloomberg News (photo)

Analysts are keen to see if Nomura can capitalize on its expansion in the U.S., the world's biggest financial market. In 2008, Nomura bought the European and Asian arms of Lehman Brothers Holdings Inc., but Barclays PLC snapped up the Wall Street's banks U.S. hub.

"The U.S. market has been our missing part of the puzzle, and we are determined to fill that gap," Shigesuke Kashiwagi, chief executive of Nomura America Holding Inc., said in an email.

Since the collapse of Lehman, Nomura has been building out its U.S. equity and fixed-income desks.

"We have taken advantage of the current market environment by hiring talented people," Mr. Kashiwagi said, adding that the U.S. expansion made "significant progress" in the just-ended quarter.

Nomura's third-quarter results was below the mean net profit forecast of 26.1 billion yen and were down from 27.7 billion yen in its fiscal second quarter. The quarter's results were hit by accounting adjustments that included 18 billion yen in credit-value adjustments and eight billion yen in expenses related to convertible bonds.

Please turn to page 29

Japan examines KDDI's deal plans

By Hiroyuki Kachi and Atsuko Fukase

TOKYO—Japan's **Financial Service Agency** is examining whether **KDDI** Corp.'s planned $4 billion purchase of a major stake in **Jupiter Telecommunications** Co. from **Liberty Global** Inc. violates share-transaction law, according to a person familiar with the matter.

If the FSA's examination of the deal expands to a formal investigation, it could pose a hurdle to Liberty's exit from the Japanese market, as the company looks to shift resources toward the European cable-TV industry.

KDDI, Japan's No. 2 cable-television company by subscribers, said the FSA made inquiries regarding the Jupiter transaction, but the agency hasn't conducted a search of KDDI's office, usually one of the steps in a full-scale investigation. KDDI said it believes the arrangement related to the Jupiter share purchase is in line with the rules.

A spokesman at the FSA declined to comment. Officials at Liberty and Jupiter couldn't be reached.

The issue is whether KDDI's planned acquisition of a 38% stake in Jupiter from Liberty, announced last week, violates Japan's Financial Instruments and Exchange Law.

The law requires transactions under which more than one-third of a listed company's ownership changes hands to be done through a tender offer.

Such an offer would give all the company's shareholders a chance to sell their shares. That could make the offer prohibitively expensive, since KDDI agreed to pay a 65% premium to purchase Liberty's stake, and other shareholders would likely want to participate.

Bloomberg News

One of Jupiter Telecom's J:COM shops in Tokyo, shown last month. KDDI has agreed to buy 38% of Jupiter.

Under the structure of the deal, KDDI is indirectly buying the shares, a structure that could put the deal in a legal gray area.

According to the details of the deal, KDDI is acquiring three units of Liberty Global, which together hold a 38% share in Jupiter.

The deal with Jupiter would give the combined group roughly half of Japan's cable-TV market.

It sets up a two-horse race between industry behemoth **Nippon Telegraph & Telephone** Corp. and KDDI to offer bundled high-speed broadband, phone and video services.

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Banks gearing up for a battle

U.S. takes aim at proprietary trading, but just what is it? Deciphering the 'Volcker rule'

By Kate Kelly And Corey Boles

The showdown over the future of proprietary trading by U.S. banks is about to begin. One likely fight: defining exactly what proprietary trading is.

Wall Street has been hungry for details ever since President Barack Obama proposed curbs last month that would limit how banks with insured deposits bet with their own capital. Some answers were expected to emerge Tuesday at a Senate Banking Committee hearing at which former Federal Reserve Chairman Paul Volcker was testifying.

In remarks released before the hearing, Mr. Volcker said that large commercial banks engaging in substantial proprietary trading or private-investment activity are inherently creating "strong conflicts of interest" and should be restricted from doing so as part of a wider move to overhaul the regulation of the financial-services industry. "What we can do, what we should do, is recognize that curbing the proprietary interests of commercial banks is in the interest of fair and open competition as well as protecting the provision of essential financial services."

What has been dubbed the Volcker rule would prohibit large commercial banks from owning private-equity arms or hedge funds and limit their ability to engage in trading their own books in search of higher returns on investment. The plan would need to be implemented as part of a wider effort to re-regulate the industry, Mr. Volcker was planning to say, and would be best done with international cooperation.

Associated Press

Former Federal Reserve Chairman Paul Volcker says large commercial banks are creating 'strong conflicts of interest.'

It mightn't be so easy. Many bankers and lawmakers agree that traders who buy and sell securities strictly for their company's gain, and are removed from day-to-day customer servicing, are proprietary traders.If approved by Congress, Mr. Obama's proposal probably would push hundreds of traders at **Goldman Sachs Group** Inc., **Morgan Stanley** and other financial firms with federally insured banking units to hedge funds and trading funds outside the government's safety net.

But what about market makers? Such traders use a bank's capital to buy and sell securities to customers. When customers are in a hurry or don't have a ready counterparty, market makers step into the middle of the trade. Market-making can be especially profitable in bond trading, where regulations are looser than for trading stocks.

The confusion arises because many market-making traders also are allowed to do noncustomer trades using firm capital. Senior traders and executives at U.S. banks say the vast majority of such side trading is done to offset risks taken for customers, who often expose firms to risky positions they wouldn't otherwise take.

David Trone, a brokerage analyst at Macquarie Capital, estimates that 5% to 10% of the revenue at the trading divisions of major banks comes from side trading that isn't strictly for customers. That activity could generate billions of dollars in annual revenue for the biggest firms.

Treasury and White House staffers are working to define the Volcker rule for banks and regulators. "On the substance of proprietary trading, there are complicated issues here," said Neal Wolin, deputy Treasury secretary. "In the coming weeks, we will propose legislative language," he added. "We have obviously listened to a full range of people who have insights that could be brought to bear."

Mr. Wolin also was set to testify Tuesday before the Senate Banking Committee. Wall Street executives, including Gerald Corrigan, a Goldman managing director, and **J.P. Morgan Chase** & Co. Chief Risk Officer Barry Zubrow, will speak Thursday.

Banks have argued that any curbs on their ability to use capital to hedge customer trades could have dire consequences. The deep liquidity, or ease of trading, in many markets would dry up, they contend. In markets where a lack of trading volume makes involvement by the firms essential, activity could grind to a halt, companies have warned.

Some analysts think banks are overreacting to Mr. Obama's tough talk. "It doesn't appear the proposal is designed to kill the capital markets," said Brad Hintz, the senior analyst covering banks for Sanford C. Bernstein & Co. "It appears that what the proposal is designed to do is to reduce the risk-taking."

Union wins 30% raise for workers in Australia

By Alex Wilson

MELBOURNE—**Total Marine Services** Inc. agreed to a 30% pay increase for its workers in a deal that one industry group said highlighted resurgent union power under Australia's new workplace laws.

The seafarers have been carrying out short strikes against Total Marine, which services the offshore oil and natural-gas industry in Western Australia state, and the wage deal came just hours before another planned strike.

The Maritime Union of Australia, which represented the seafarers in the long-running dispute, said Tuesday the wage deal was only a partial catch-up with soaring rates for contractors in a booming oil and gas industry that is experiencing tight labor conditions.

Union National Secretary Paddy Crumlin said contractors were being paid about 500 Australian dollars a day (US$446) more than Total Marine's employees and that the wage deal wouldn't close this gap, only increase wages by an extra A$175 to A$215 a day. Mr. Crumlin said the pay increases were "modest and reasonable" and added up to about 7% to 8% per year. The overall 30% rise will take place in stages until July 2012.

Total Marine Chief Executive Glenn Triggs said the 10 months of negotiations had been tough and that the strikes had been disruptive for customers. The pay deal offered a "significant uplift" to Total Marine's workers, Mr. Triggs said, and the company would have to pass on some of the cost to its customers.

Australia's oil industry is grappling with rising costs. In November, Woodside Petroleum Ltd. forecast a cost increase at its Pluto project of as much as A$1.1 billion, partly because of a tight market for drillers and welders.

New Australian labor laws increase the coverage of union agreements and re-introduce compulsory arbitration.

EON Capital rejects Hong Leong's takeover bid

By K.P. Lee

KUALA LUMPUR—**Hong Leong Bank** Bhd.'s hopes of acquiring the banking assets of smaller rival **EON Capital** Bhd. were dashed Tuesday, when its 4.92 billion ringgit ($1.44 billion) buyout offer was rejected.

EON Capital—the holding company of the country's seventh-largest lender by assets EON Bank Bhd.—said in a statement that Hong Leong Bank's offer of 7.10 ringgit per share undervalued the company.

"We have taken the time to fully consider Hong Leong's bid and have chosen to reject it," EON Capital Chairman Syed Anwar Jamalullail said.

Hong Leong Bank, Malaysia's sixth-largest lender by assets, had planned to create the country's fourth-largest banking group by taking over EON Capital.

In a statement to Bursa Malaysia, the stock exchange, Hong Leong Bank said it was disappointed with EON Capital's decision. "We have made a fair and attractive offer," said Hong Leong Bank Director Raymond Choong, who is also president of Hong Leong Financial Group Bhd.

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Corrections & Amplifications

The chief of Pakistan's military, Gen. Ashfaq Kayani, said a hostile environment in Afghanistan could strain his own country's battle against Islamist militancy, an apparent reference to growing Indian ties to the government of Afghan President Hamid Karzai. A World News article Tuesday about Gen. Kayani's comments incorrectly said he mentioned India by name.

BUSINESS & FINANCE

Reuters

A UPS driver made deliveries in San Francisco last month.

UPS reports signs recession is over

By Bob Sechler

United Parcel Service Inc. provided new optimism Tuesday that the global economy is on the mend, with executives forecasting gains in profit, pricing and package volume for this year.

The company's fourth-quarter earnings nearly tripled, although the year-earlier figure was dragged down by a number of charges. Excluding year-earlier items, fourth-quarter profit fell 9.6%.

Revenue sank 2.5% to $12.38 billion, hurt by weakness in the U.S., but it exceeded Wall Street's $12.23 billion consensus expectation.

"It looks like this recession is finally over," Chief Executive Scott Davis told analysts Tuesday during a post-earnings conference call.

Industrial production is likely to increase at least 4% this year, he said, although he cautioned that much of the growth will occur later in the year.

Atlanta-based UPS, the world's largest package handler by volume, is considered a bellwether for economic activity. The company's total package volume rose 1.4% in the fourth quarter, though overall average daily volume was flat.

UPS executives said the company's international average daily package volume—which rose 12% in the fourth quarter—benefited from a capacity squeeze in the air-cargo sector during December. They said customers shipping airfreight out of Asia to the U.S. or Europe were facing delays of as much as a week, prompting many to shift to UPS.

As a result, the company voiced uncertainty as to whether all of the volume gains are permanent, although they said trends have been firm so far in the first quarter.

Average daily package volume fell 1.9% in the U.S., but the company forecast growth for first-quarter U.S. volume in line with gross-domestic product.

The company's optimism regarding an economic recovery prompted it to reinstate the practice of providing annual profit estimates, which it had halted during the downturn. UPS also said it will end an executive-compensation freeze that it instituted last year.

The company projected 2010 earnings of $2.70 to $3.05 a share.

UPS didn't provide a first-quarter earnings forecast, saying only that it expects profit to be slightly better than last year. Analysts had expected a 13% per-share increase.

The company posted a fourth-quarter profit of $757 million, or 75 cents a share, compared with $254 million, or 25 cents a share, a year earlier. Excluding prior-year write-downs, earnings would have fallen from 83 cents a share.

—John Kell contributed to this article.

Softbank's earnings rise 41%

By Kenneth Maxwell

TOKYO—**Softbank** Corp. said its fiscal-third-quarter net profit jumped 41% as strong sales of **Apple** Inc.'s iPhone handsets and associated services helped the company keep pace in Japan's congested but lucrative cellphone market.

Softbank, Japan's third-biggest cellphone company by subscribers, said its net profit for the three months ended December was 24.1 billion yen ($265.9 million), up from 17.1 billion yen a year earlier. The earnings came a few days after Japan's biggest cellphone company, NTT DoCoMo Inc., said its net profit leaped 48% in the period.

For Softbank's chairman and chief executive, the company's role as the only official supplier of the iPhone in Japan gives it a strong attraction in a market characterized by a fascination for gadgetry.

"When we launched the iPhone [in the summer of 2008], some people said those phones were not suited for Japanese cellphone users," said Masayoshi Son at a news conference. Most Japanese cellphones are smaller and lighter .

"But those [skeptics] have been proven completely wrong....The iPhone is selling so well that we are really feeling the boost from it," Mr. Son said.

He declined to say how many iPhones Softbank had sold but described it as "the biggest contributor to third-quarter handset sales" and "a major contributor to growth in data-communication revenue."

Softbank's net profit was well below a mean estimate of 45.7 billion yen compiled by Thomson Reuters from a survey of 14 analysts. During the quarter, Softbank booked 47.2 billion yen to cover costs associated with switching services to the faster third-generation network.

Still, operating profit climbed 43% to 135.7 billion yen on revenue of 696 billion yen, up 6.5%.

ABN AMRO BANK N.V., SINGAPORE BRANCH

Transfer of the Private Client Business of ABN AMRO Bank N.V., Singapore Branch to ABN AMRO II N.V., Singapore Branch pursuant to Sections 55B and 55C of the Banking Act, Chapter 19 of Singapore

Notice is hereby given that a Scheme dated 1 February 2010 ("**Scheme**") to effect the transfer ("**Transfer**") of the private client business of ABN AMRO Bank N.V., Singapore branch (UEN No.: R93FC0005C) ("**Transferor**"), with its registered office at 1 Raffles Quay, South Tower, #26-10, Singapore 048583, to ABN AMRO II N.V., Singapore branch (UEN No.: T09FC0110H) ("**Transferee**"), with its registered address at 1 Raffles Quay, South Tower, #25-10, Singapore 048583, will be submitted to the High Court of the Republic of Singapore ("**High Court**") for approval under the provisions of Sections 55B and 55C of the Banking Act, Chapter 19 of Singapore ("**Banking Act**"). The Transferor holds a full bank licence, and the Transferee has applied for a wholesale bank licence under the Banking Act. The De Nederlandsche Bank ("**DNB**") granted ABN AMRO II N.V. ("**ABN AMRO II**") a banking licence on 13 January 2010 subject only to the condition that the transfer of certain businesses and assets to ABN AMRO II by way of a legal de-merger occurs on or before 31 March 2010. On 19 January 2010, ABN AMRO II received DNB approval for the establishment of the Transferee. ABN AMRO II expects to receive a declaration of no objection from the DNB before the Effective Date (as defined below) of the Transfer. It is expected that the Monetary Authority of Singapore ("**MAS**") will issue a wholesale bank licence to the Transferee which may take effect subject to certain conditions.

The Transferor and the Transferee have also entered into a transfer agreement (the "**Transfer Agreement**") which sets out their agreement to undertake the Transfer and provide for the transfer of certain parts of the private client business of the Transferor carried on, at or from its Singapore branch ("**PC Business**") which are not transferable pursuant to the Scheme (for example, the transfer of employment contracts).

Following the Transfer, the PC Business of the Transferor will vest in the Transferee.

General Nature of the Scheme

The Scheme will take effect from the date ordered by the High Court as to when the Scheme becomes effective ("**Effective Date**"). The Transferor intends to apply to the High Court for an order that the Effective Date be at:

(a) 0001 hours (Singapore time) on 27 March 2010; or

(b) (if the wholesale banking licence has not been issued to the Transferee before 27 March 2010) 0001 hours (Singapore time) on the first Sunday after the wholesale bank licence under the provisions of the Banking Act has been issued to the Transferee; or

(c) such other date as the High Court may approve as the effective date of the Scheme.

Subject to the provisions of Part VIIA, Division 1 of the Banking Act, the Scheme provides for the transfer of the business, assets, liabilities, duties and obligations of the Transferor in connection with the PC Business to the Transferee on the Effective Date.

Effect of the Scheme

On and from the Effective Date, *inter alia*, every person being a customer recorded in the list of customers of the PC Business shall in connection with any account(s) or contract(s) in respect of the PC Business become entitled in substitution for any right or rights available to him under such account(s) or contract(s) against the Transferor to the same right or rights against the Transferee, and shall also become responsible for the same obligations to the Transferee as were owed by him to the Transferor under such account(s) or contract(s), and accordingly, such rights that were available to, and such obligations that were owed by, each of the Transferor and such customer against each other shall be extinguished. In addition, any security held by the Transferor as security for the debts and liabilities of any customer or counterparty in respect of the PC Business shall be dealt with in accordance with the terms of the Scheme and the Transfer Agreement.

With the exception of a few products detailed below, the Transferee will offer a similar range of products and services to those offered by the Transferor.

The Transferee will not offer GIRO services, trade finance facilities, Singapore dollar savings accounts, Singapore dollar fixed/time deposits of less than S$250,000, credit cards, ATM cards or cheque books to customers of the PC Business.

Subject to certain regulatory approvals and the transfer of certain businesses and assets from ABN AMRO Bank N.V. to ABN AMRO II pursuant to a legal de-merger in the Netherlands, the Transferor will change its name from ABN AMRO Bank N.V., Singapore branch to The Royal Bank of Scotland N.V., Singapore branch. The Transferee will change its name from ABN AMRO II N.V., Singapore branch to ABN AMRO Bank N.V., Singapore branch. Customers of the PC Business will be informed of the effective date of the change of name of the Transferor and the Transferee in due course.

Document Available for Inspection

Pursuant to the requirements of Section 55C(2)(a) of the Banking Act, a report setting out details of the Transfer was lodged with the MAS. This report will be available for inspection by any person who may be affected by the Transfer, for a period of fifteen (15) days from the date of publication of this notice during normal business hours at the following addresses:

ABN AMRO BANK N.V., SINGAPORE BRANCH
1 Raffles Quay, South Tower, #26-10, Singapore 048583

ABN AMRO II N.V., SINGAPORE BRANCH
1 Raffles Quay, South Tower, #25-10, Singapore 048583

Application to High Court

An application to the High Court for the approval of the Transfer will be made by the Transferor not less than fifteen (15) days after the publication of this Notice. Any person who in the opinion of the High Court is likely to be affected by the Transfer as a customer recorded in the list of customers of the PC Business or otherwise and who is desirous of opposing the making of an Order for the approval of the Transfer may appear at the time of hearing of the application (which will be fixed by the High Court at a later date). Any such person should give seven (7) clear days' prior notice in writing of his intention to so appear, together with the grounds of his objection, to the undersigned, the solicitors for the Transferor.

Dated this 3rd day of February 2010.

ALLEN & GLEDHILL LLP
Solicitors for
ABN AMRO BANK N.V., SINGAPORE BRANCH
One Marina Boulevard #28-00
Singapore 018989

Toyota sparks political ire

Union seizes on quality woes in push to keep California plant open

By Josh Mitchell

WASHINGTON—**Toyota Motor** Corp. is wading into a tricky political situation as its executives prepare for congressional hearings later this month about the company's massive safety recall.

The Japanese auto maker is the top competitor to **General Motors** Co., now majority-owned by the U.S. government. It also was a major beneficiary of last summer's "cash for clunkers" rebate program for car buyers, which lawmakers initially designed to spur Detroit's flagging sales.

And Toyota has long faced resentment from the United Auto Workers for its resistance to unionized labor and for taking market share from its U.S. rivals, ultimately at the expense of union jobs.

Now, the UAW is seizing on Toyota's quality woes as it mounts a campaign to keep open a Toyota plant in Fremont, Calif., that includes unionized workers in a partnership with GM. The UAW also has pressed its Capitol Hill allies, including some members of the committees investigating the safety recalls, to take a tougher line against Japan and other countries that it says have put U.S. companies at a disadvantage through trade barriers.

Alan Reuther, the UAW's top lobbyist in Washington, said the union wouldn't get involved directly in the Toyota recall. But he said he did think the recall could help the union's efforts to keep open the Fremont plant, on the theory that a penitent Toyota could be more likely to make concessions.

Union members rallied outside the Japanese Embassy here last week to protest the plant's closure. The union also sent out a statement following the rally that alluded to the recall, accusing Toyota of neglecting years of safety problems.

Toyota employs about 34,000 workers in the U.S., while U.S. auto makers have moved some operations to other countries. Even so, Toyota remains a Japanese company, and its troubles come at a time of new friction between U.S. auto makers and foreign competitors. The Obama administration, under pressure from Detroit, last month persuaded Japan to loosen the terms of its own "cash for clunkers" incentive program so that more U.S. vehicles could qualify.

United Press International

Union protesters outside Japan's embassy in Washington last month.

Many Japanese newspapers and magazines are portraying the Toyota crisis in the U.S. as a resurgence of 1980s-era trade tensions over autos and hostility toward Japanese companies. A headline in the Jan. 30 issue of Japanese weekly business magazine Toyo Keizai said in part: "Toyota bashing is seen, as if the past auto-trade frictions were reignited..."

Foreign car makers have continuously increased the proportion of U.S.-made cars that they sell in the U.S., said Michael Stanton, head of the Association of International Automobile Manufacturers, a Washington trade group representing Toyota and other foreign auto makers. "The reality is changing, but the perception is still out there, and I think some people are trying to build on their perception."

Rep. Bart Stupak (D., Mich.), who chairs the House Commerce Committee's oversight and investigations panel and called for a hearing on the Toyota recall, said the hearing is strictly about public safety. It would be "ludicrous" to suggest broader trade tensions are at play, he said.

Mr. Stupak said Congress put the heat on **Ford Motor** Co. a decade ago after a rash of deadly rollover accidents involving Ford Explorer sport-utility vehicles and Firestone tires, and that Congress repeatedly grilled executives of GM and **Chrysler Group** LLC leading up to last year's government bailout.

Mr. Stupak said the UAW hasn't contacted him personally on the Toyota recall but may have contacted his committee. The panel also includes Rep. John Dingell (D., Mich.), a staunch ally of the union and Detroit's auto makers. A spokesman for Mr. Dingell didn't respond to an interview request Monday.

Toyota said in a statement it appreciated the opportunity to appear before the committees and that its focus "is being directed 100% on understanding the cause of this problem and developing the right fix."

—Miho Inada in Tokyo and Neil King Jr. in Washington contributed to this article.

Ford's U.S. sales rose 25% in January

By John Kell

Ford Motor Co. posted a 25% increase in January U.S. light-vehicle sales as fleet sales more than doubled and overshadowed a 5% drop in retail business.

Prior-year fleet sales were depressed as the financing crisis was at its peak. And the retail weakness wasn't unexpected, since Ford last week predicted a decline because of the loss of government incentives and tax credits.

Ford put its U.S. market share at approximately 16% for January—about two percentage points higher than a year earlier. The growth marks the 15th time in 16 months Ford has seen an increase.

Some analysts had predicted Ford would post its best month for market share since May 2006, in part because of an expected decline from **Toyota Motor** Corp., which halted sales of eight of its top-selling vehicles because of concerns about sticking gas pedals. The recall also led Ford to temporarily halt production of a commercial vehicle in China.

Auto makers are benefiting from an improved economy and easy year-to-year comparisons, and the Detroit Three should see a big bump in U.S. market share from last January, according to car-shopping Web site Edmunds.com.

On Tuesday, Ford reported U.S. company-wide light-vehicle sales were 116,277, compared with 93,041 a year earlier. There were 24 selling days in January, two fewer than last year.

Ford, Lincoln and Mercury car sales rose 43%, while crossovers increased 20% and sport-utility vehicles rose 8.2%. Truck and van sales jumped 14%.

Ford, the only U.S. auto maker to avoid bankruptcy protection amid the economic downturn, on Thursday reported its second profitable quarter in a row and posted its first annual profit in four years, helped by rising sales, firmer pricing and lower costs. While results have improved recently, Ford still faces a fragile recovery in the U.S. and Europe, as well as a high debt load.

Associated Press

Ford Mustangs lined up at a San Jose, Calif., dealership on Monday. The auto maker put its U.S. market share at about 16% for January.

VW takes aim at Toyota sales crown

By Christoph Rauwald

FRANKFURT—**Volkswagen** AG, aiming to unseat **Toyota Motor** Co. as the world's largest auto maker, unveiled an ambitious plan to boost annual sales to eight million vehicles in the midterm and to exceed 10 million by 2018.

Europe's largest auto maker by sales, which makes VW and Audi cars and counts ultra-luxury Bugatti sports cars and Scania heavy trucks among its nine brands, sold 6.3 million vehicles last year—19% fewer than Toyota's 7.8 million.

Volkswagen said it is aiming for a medium-term earnings before interest and tax, or EBIT, margin for the automotive business "of at least 5%, excluding the planned integration of **Porsche Automobil Holding** SE in 2011. Its Ebit margin in the first nine months of 2009 was 2%.

The announcement of new profitability targets along with an aggressive expansion plan come as rival Toyota is getting battered by a massive recall and a wide-ranging sales and production halt. Some industry observers believe the quality issues might be related to Toyota's rapid growth in recent years.

The Japanese company, which gained market share in the U.S. in recent years, has a longstanding reputation for reliable and high-quality vehicles. But reports of faulty accelerator pedals forced it to recall more than eight million vehicles.

Volkswagen targets a pretax profit margin of more than 8% by 2018. The capital expenditure-to-sales ratio at the automotive operations is planned to be around 6% in the long term. Volkswagen targets a return on investment at its auto operations of more than 16% by 2018.

VW said it plans to achieve "further significant" cost cuts in coming years, partly through creating more synergies between different model lines and greater flexibility.

Volkswagen's Chief Executive Martin Winterkorn and Chief Financial Officer Hans Dieter Poetsch are expected to elaborate on the company's growth targets at an investor conference in London Wednesday.

The German auto maker has steered better through last year's industry gloom than its rivals mainly due to a large presence in China and a strong foothold in Brazil. Additionally, sales on its home turf were fostered by state-backed scrapping incentives to trade in old gas guzzlers last year.

The U.S. has proved tougher and VW is responding by pumping $125 million into two new dealerships in New York City to raise the profiles of VW and Audi. Additionally, Volkswagen will invest $1 billion in a new plant in Chattanooga, Tenn.

Singapore Air profit rises 20%

By Sam Holmes

SINGAPORE—**Singapore Airlines** Ltd. posted a 20% gain in fiscal third-quarter profit, helped in part by declines in fuel and staff costs.

Net profit rose to 403.7 million Singapore dollars (US$286.3 million) in the three months ended Dec. 31 from S$337.2 million a year earlier, the airline said. The latest result followed two straight quarterly losses of S$307 million and S$159 million, respectively.

Operating profit fell 9.5% to S$322.9 million in the fiscal third quarter from S$356.7 million a year earlier.

"Passenger loadings in January and bookings in hand indicate that the recovery in the third quarter is likely to continue in the final quarter of the current financial year," the airline said.

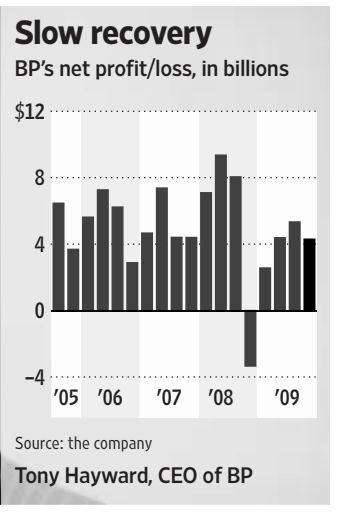
The airline said all of its business units—including the main airline, regional carrier SilkAir, and the cargo and engineering operations—were profitable in the fiscal third quarter.

Singapore Airlines said the business outlook for 2010 is "encouraging but it must be acknowledged that uncertainties linger over the global economy."

Expenses fell 19% to S$3.1 billion, while revenue declined 18% to S$3.42 billion. Fuel costs fell 38% to S$1.03 billion and staff costs dropped 26% to S$477.4 million.

CORPORATE NEWS

Bloomberg News



BP's chief sees a slow recovery

Profit returns but refining margins are weak

By James Herron

LONDON—**BP** PLC Tuesday swung to a net profit in the fourth quarter, helped by increased oil and gas production and a higher average oil price.

BP's shares, however, fell more than 4% as the company said its refining margins were weak. The results demonstrate how the large integrated oil companies are struggling to capitalize on higher oil prices because of a dire commercial environment in refining businesses.

BP Chief Executive Tony Hayward said he expects the economic recovery this year to be "slow and gradual," so BP will continue to focus on improving upstream operational performance and reducing downstream costs. BP trimmed its costs by $4 billion in 2009.

The U.K.-based energy giant said net profit for the three months ended Dec. 31 was $4.30 billion, compared with a loss of $3.34 billion a year ago.

Total revenue for the quarter was up 21% to $73.64 billion from $61.09 billion.

BP said the clean-replacement cost of supplies, a keenly watched figure that strips out gains or losses from inventories and other nonoperating items, totaled $4.38 billion, compared with $2.61 billion for the fourth quarter of 2008.

BP's upstream results were as expected, but "refining is where the miss is," resulting in just $15 million in downstream earnings versus a forecast of $635 million, said ING analyst Jason Kenney.

"We were not immune to refining margins which were amongst the lowest in 15 years," said a BP spokesman.

While crude prices have rebounded from last year's slump, end user demand for transport fuels remains weak amid sluggish economic growth, and prices haven't fully recovered. The amount of money a refiner can earn from processing a barrel of crude fell to just $1.49 in the fourth quarter, down more than 70%, BP said.

BP's results were still "stunning versus its peers," Mr. Kenney said. ExxonMobil Corp.'s fourth-quarter profit was down 23% on the previous year following a $287 million refining loss. Chevron Corp.'s refining business lost $613 million in the fourth quarter.

None of this bodes well for Royal Dutch Shell PLC's results Thursday, said NCB Stockbrokers analyst Peter Hutton.

Total oil and gas production was 4.05 million barrels of oil equivalent a day, an increase of 3% on the year due to a higher contribution from the Thunder Horse field in the Gulf of Mexico. Analysts were expecting output of four million barrels of oil equivalent a day.

BP expects its oil and gas output will be lower in 2010 than 2009, but will resume growth in 2011 in line with the company's target of a 1% to 2% annual increase, company officials said.

The lower 2010 figure partly reflects the benefit in 2009 of an unusually mild hurricane season in the Gulf of Mexico that resulted in few disruptions to oil and gas production, according to a BP spokesman.

BP's output grew 4% from 2008 to 2009, so the average across several years will remain in the 1%-2% band, he said.

Cnooc aims for big output gain

By Yvonne Lee

HONG KONG—Cnooc Ltd., China's biggest offshore oil-and-gas producer by output, expects its crude oil and natural gas production to rise 22% to 27% in 2010 as major projects in China come onstream.

To support the plans, capital expenditures will increase 30% to $7.93 billion, the company said.

China's economic recovery is keeping energy demand and oil prices high, driving earnings growth that will help Cnooc fund its ambitious plans to raise both output and reserves, analysts said.

Of Cnooc's total spending this year, $1.47 billion will go toward exploration; $4.81 billion will be used to develop oil and gas fields, and $1.5 billion will be spent on production, the company said.

Cnooc, a unit of **China National Offshore Oil Corp.**, China's third-largest oil company by assets, said it is targeting production of 275 million to 290 million barrels of oil equivalent this year, up from 226 million to 228 million barrels in 2009. The company plans to drill more than 95 exploration wells this year, and its exploration will continue to focus on offshore China.

ASIA
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CORPORATE NEWS

Carriers seek ways to handle data

Start-ups pitch software to track cellphone usage and better manage the videos that tax wireless networks

By Niraj Sheth

Facing a deluge of Web and video traffic that is pushing the limits of their networks, U.S. wireless carriers are resorting to software shortcuts and other tricks to streamline data traffic until they install more cellular towers and roll out next-generation networks.

Armed with advanced devices like BlackBerrys, iPhones and **Apple** Inc.'s coming iPad, more customers are using cellular networks to surf the Web, watch video clips and run apps. While the data traffic means a new and growing source of revenue, managing that rapid growth has been challenging.

"The networks weren't designed with this in mind," says Fabricio Martinez, a director at telecommunications consultancy **Aircom International** Ltd.

In the U.S., **AT&T** Inc. has been at the front of the data explosion, primarily because it offers the popular iPhone, which can surf the Web and run applications. In the last three years, the carrier says its data traffic has grown nearly 50-fold.

In markets like New York and San Francisco, the congestion has prompted a wave of complaints about dropped calls and slow speeds. The iPad, which has a larger screen for Web browsing and videos, will further tax AT&T's network when it is released this year.

AT&T says it is working on adding more bandwidth in New York and San Francisco and it expects the iPad will be used a "substantial" amount of time via Wi-Fi.

Start-ups in the U.S. and abroad are trying to help AT&T and other carriers manage the surge in data traffic by tracking how people use cellphones and coming up with more-efficient ways to download videos and Web sites. Analysts say video accounts for more than 75% of mobile data traffic.

Carriers generally download video files to connected phones as quickly as possible. But engineers at **Bytemobile** Inc., Santa Clara, Calif., found most cellphone users don't watch video clips all the way through. That means carriers are wasting bandwidth downloading more video than is watched, says Joel Brand, Bytemobile's vice president of product management.

The start-up devised a way to download video as the customer watches, but with less stalling than usual. The tactic can cut the volume of data transferred in half, Mr. Brand says.

The company, which already works with AT&T and **Sprint Nextel** Corp. to minimize the data that phones download when they visit Web sites, is in trials for its video software. Mr. Brand declined to discuss pricing.

Jason Schneider

Rival **Flash Networks** Ltd. of Herzlia, Israel, has another trick up its sleeve. Some video-file formats are more efficient than others, and some formats work better with certain phones than others. Matching optimal file formats with phones cuts the amount of bandwidth needed to download videos by as much as 50%, the company says.

Liam Galin, Flash Networks' CEO, also says data demand peaks between 3 p.m. and 9 p.m., which means a lot of people are using a cellular network at home, when a carrier could divert traffic to less-encumbered Wi-Fi connections.

Dealing with the boom in data usage is only set to get harder as more customers buy smart phones. As of the third quarter, only 25% of U.S. customers had smart phones, but at peak times in major markets, carriers are already running at over 80% of capacity, according to a report from Morgan Stanley.

Carriers are scrambling to build out next-generation networks that promise higher bandwidth and faster speeds. But putting up new cellphone towers and laying down faster cables to connect them takes years and billions of dollars to finish, analysts say. It's quicker and cheaper to install software.

Some in the industry are skeptical such software can be a long-term solution for handling wireless data. Large telecommunications-equipment makers, which sell radio boxes to wireless operators, say carriers need to take bigger steps.

"You cannot optimize your way to success," says Arun Bhikshesvaran, senior vice president for **L. M. Ericsson Telephone** Co.'s multimedia and infrastructure solutions. Instead, they should reconfigure how they route data through the network and install higher-bandwidth cables to connect their cell towers, he says.

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DOWJONES

Google plans store for Web software

By Jessica E. Vascellaro And Nick Wingfield

Google Inc. is preparing to launch a store selling online business software that integrates with its Web services, according to people briefed by the company, enlisting software developers in its battle against **Microsoft** Corp.

These people said the Web site will sell business software designed by outside developers to integrate and add capabilities to Google Apps, such as enhanced security features or the ability to import contacts. Google Apps provides Web-based email, word-processing and spreadsheet functions. Google could announce the new store—a revamped version of its Solutions Marketplace site that features third-party programs—as soon as March, they said.

Google eventually plans to allow customers to purchase its partners' software through the site, taking a cut for itself and sharing some revenue with the developers, these people said. Google will allow users to quickly access their purchased applications through the menu at the top of their screens within Gmail or Google Docs, they said.

A Google spokesman said the company is "constantly working with our partners to deliver more solutions to businesses, but we have nothing to announce at this time."

Google's goal is to jump-start the growth of its online-software businesses, which it hopes will be a future sales engine for the company as its advertising business matures. The new store represents its latest attempt to get customers to switch to its online offerings and away from Microsoft programs.

The approach has its risks. Third-party software could be less reliable than Google's, leading to customer-service complaints. And how much time and effort developers will invest in new services remains unclear.

Google sells a suite of software services to businesses for $50 a user per year. While it has landed some high-profile customers such as Motorola Inc. and Genentech Inc., many large corporations have been reluctant to migrate from Microsoft for reasons ranging from concerns about storing data online to complaints of missing features.

Google says more than two million businesses are using the paid or free version of Google Apps. There are around 500 million users of Microsoft Office, according to Microsoft.

Google is turning to developers to help fill the holes and develop features its online software lacks, such as specialized editing software or tools to access online files offline.

The new store borrows a page from other technology companies including Apple Inc. and Salesforce.com Inc., which have tried to broaden the appeal of devices and software by opening up to outside developers. Salesforce operates AppExchange, which links to software that extends the functionality of its customer relationship management software.

MARKETS

China banks downgraded

In rare move, Fitch lowers marks, citing loan boom, erosion in capital

By Dinny McMahon

BEIJING—Fitch Ratings downgraded two mid-sized Chinese banks, a rare move that highlights mounting concerns that China's massive increase in lending last year has exposed banks to potential bad loans.

The credit-rating downgrade brings Fitch's ratings for **China Citic Bank** Corp. and **China Merchants Bank** Co. more in line with the 14 other national banks Fitch covers in China, all of which had their ratings unchanged. It represents the first time in more than six years that Fitch has downgraded a Chinese bank.

Moody's Investor Service and Standard & Poor's, whose ratings are unchanged, also haven't lowered their key rating on a Chinese bank during that period.

Making its announcement after China's markets closed Tuesday, Fitch said the ratings for the two banks is now D, down from C/D.

China's banks embarked on a massive credit expansion in 2009 as the key element to Beijing's economic stimulus program, resulting in $1.4 trillion of net new loans last year, roughly twice the amount lent in 2008. Nonperforming-loan ratios so far remain at record low levels, but the politically driven lending has raised questions among analysts about the quality of many of the new loans.

Fitch said that given the aggressive increase in lending by the two banks over the first nine months of last year, as well as the subsequent erosion of the amount of capital they hold against each loan, it was unreasonable to maintain their rating at a higher level than their peers.

> Fitch also expressed concern over a build-up of off-balance-sheet liabilities.

The Fitch statement said Citic used to be one of the best-capitalized banks in China, but that its position slipped as it ramped up lending. Similarly, the statement highlighted that China Merchants' "established retail franchise, solid loan loss reserve coverage and more diversified revenues continue to stand out against peers," but that it isn't enough to counterbalance the deterioration in its capital position.

Fitch singled out China Merchants' purchase of Hong Kong's Wing Lung Bank in 2008 as having eroded the bank's capital position. The bank has planned a rights issue of 22 billion yuan ($3.2 billion)—which was approved by China's regulator Monday—but Fitch warned that wouldn't be enough to warrant the higher rating.

Another cause of concern, Fitch's report said, was a buildup of off-balance-sheet liabilities.

"Both [China Merchants] and [Citic] are carrying additional hidden credit risk from the re-packaging of loans into wealth management products, for which they were the most active issuers in terms of the number of products sold in 2009," the note said.

These products typically consist of loans the banks sell to trust companies with the promise they will buy the loans back in the future. The banks would often move the loans off the balance sheet for the duration of the sale, analysts say, reducing the official level of outstanding loans but leaving the banks exposed to the risk of default.

Fitch said neither bank releases data on how many loans were repackaged.

Fitch last downgraded a Chinese Bank—Hua Xia Bank—in October 2003. The last time Moody's made a downgrade was in November 2003, when it lowered the rating of Citic, then called Citic Industrial Bank.

Fitch's D rating signifies a bank with "weaknesses of internal and/or external origin."

A bank with a C rating is "adequate," but with "one or more troublesome aspects." Ratings for the 16 Chinese banks covered by Fitch are now D, D/E and E.

Yvonne Zhang, a senior banking analyst at Moody's, said Moody's has typically kept the rating on Chinese banks low since they were recapitalized and launched initial public offerings several years ago. There was little way to tell how they would fare during a downturn, given they hadn't been through a full business cycle, she said.

Moody's placed **Bank of China**, **Industrial & Commercial Bank of China** and **China Construction Bank** under review for a ratings upgrade in October.

Fitch's ratings of Chinese banks

Bank	Current	Prev.
China Merchants	**D**	**C/D**
China CITIC	**D**	**C/D**
Bank of Beijing	D	D
Bank of China	D	D
Bank of Communications	D	D
Bank of Shanghai	D	D
China Construction Bank	D	D
China Minsheng Bank.	D	D
ICBC	D	D
Industrial Bank	D	D
Shanghai Pudong Dev.	D	D
China Everbright	D/E	D/E
Guangdong Development	D/E	D/E
Hua Xia	D/E	D/E
Shenzhen Development	D/E	D/E
Agric. Bank of China	E	E

Source: Fitch Ratings; Reuters (photo)

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Revlon's lesson for shareholders: Moguls win

[The Game]

By Dennis K. Berman

Next time you get the urge to invest in a company with a controlling shareholder, remember: Moguls usually get what they want. It is just what they do.

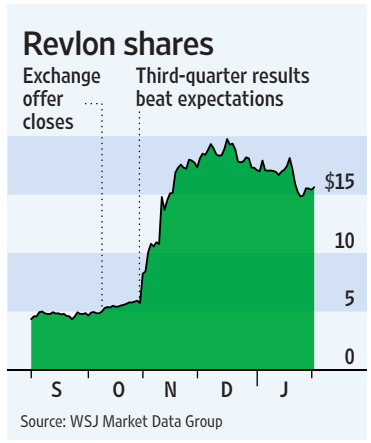
Ronald Perelman, America's 18th-richest person, decided last year that he wanted to jettison the public shareholders of **Revlon** Inc., the cosmetics company he won in a 1985 takeover battle.

It was clear at the time that Revlon needed a financial fix. The company was delivering miserable results, and its stock price was stuck in the single digits, weighed by fears the company couldn't roll over a big loan controlled by Mr. Perelman's own holding company, **MacAndrews & Forbes**.

Mr. Perelman had a plan. Revlon's common shareholders would, in effect, directly subsidize the retirement of part of that loan. Through a lot of paper shuffling, the shareholders would swap out their two-fifths ownership of Revlon common shares for a new class of preferred stock. Those new preferred shares would pay dividends and a one-time kicker after four years. In exchange, Mr. Perelman would loosen the loan terms and add the common shares that the outside shareholders held to his existing 58% ownership stake. There was one catch: None of this was voluntary.

When Revlon's independent board members convened to weigh the offer, they found it to be crummy. A phalanx of shareholder lawsuits also massed against Mr. Perelman. By early autumn, the sides had crafted a new transaction under the watch of the Delaware courts. It improved the terms of the deal for shareholders and squelched some of Mr. Perelman's more onerous demands.

All seemed at peace on Oct. 8, when nearly half of the outstanding common shares were exchanged for the preferred stock. Mr. Perelman now controlled about 79% of Revlon's shares. Investors handed in Revlon stock that had fallen to as low as $2.58 a share and was then trading around $5. They received preferred shares that would expire in four years, paying out roughly $7.87 along the way. Then a funny thing happened. On Oct. 29, Revlon reported third-quarter results well above analysts' expectations. Revlon stock gained 43% in one day. It climbed even further in the ensuing weeks, to $10 by Nov. 1. The stock trades around $15 today.



A few weeks ago, some shareholders reopened the lawsuit against Revlon and Mr. Perelman, saying he should have disclosed the company's improving fortunes. It is unclear where the lawsuit goes from here. But it is a reminder of the prerogatives of moguldom. "If the largest shareholder wanted more common stock," said BMO Capital Markets analyst Connie Maneaty, "why should anyone sell?"

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India's NTPC sets floor price for share sale

By John Satish Kumar

MUMBAI—Indian state-run power producer **NTPC** Ltd. Tuesday set the floor price of its share sale at 201 rupees apiece, making the offering—at about 82.87 billion rupees ($1.8 billion)—the largest in the government's current divestment drive.

The market's response to the sale will be significant because the Indian government has some catching up to do to achieve its target of raising 250 billion rupees in the fiscal year ending March by selling stakes in state-run companies. So far, it has netted 42.59 billion rupees.

The government is selling bits of state-run companies as part of efforts to bridge a budget deficit that is estimated to swell to a record 6.8% of gross domestic product in the year through March.

Watchers said the signs are promising as the NTPC price looks like a bargain, coming in at a 4.8% discount to the stock's 211.25 rupees close Monday.

"It looks very attractive, especially for long-term buyers," said Deven Choksey, managing director of K.R. Choksey Shares & Securities Pvt. Ltd.

"The pricing seems to leave some cushion for investors to make money," he said.

The share sale—which opens Wednesday and closes Friday—follows a $1.25 billion initial public offering by hydropower producer **NHPC** Ltd. in August and a $570 million maiden share sale by **Oil India** Ltd. in September.

The government, which owns 89.5% of NTPC, will sell about 412.27 million shares to dilute a 5% stake. This will be a follow-on sale as the company—India's largest power utility by output—raised 53.6 billion rupees in an IPO in late 2004.

Retail investors, who can buy 35% of the issue, and high-net-worth investors, who can pick up 15%, will get the shares at 201 rupees each. Institutional investors can bid for the remaining 50% in an auction.

Mr. Choksey estimates that the retail book could be subscribed at least twice, given the attractive valuation and retail investors' preference for state-owned companies.

Seven say not guilty in the Galleon case

By Chad Bray And David Benoit

NEW YORK—Seven people pleaded not guilty to federal criminal charges Tuesday in a wide-ranging insider-trading probe that has ensnared several hedge-fund executives and managers, including Raj Rajaratnam, founder of hedge-fund firm **Galleon Group**.

Zvi Goffer, who worked for a time at Galleon and is the founder of trading firm **Incremental Capital**, and six others entered not guilty pleas to the charges in a 10-count indictment at a hearing before U.S. District Judge Richard J. Sullivan in Manhattan.

Raj Rajaratnam

These charges, one of several strands in the broader probe, don't directly mention Mr. Rajaratnam. Prosecutors have alleged that Mr. Rajaratnam was at the center of a giant insider-trading ring that generated millions of dollars in improper trades.

In total, 21 people have been charged criminally in the probe, including eight who have pleaded guilty to criminal charges. Several are cooperating with prosecutors. Mr. Rajaratnam had pleaded not guilty to a 17-count indictment related to alleged conspiracy and securities fraud.

In this case, prosecutors from the U.S. Attorney's office in Manhattan allege that Zvi Goffer and Jason Goldfarb, an associate at a New York law firm, shared inside information with others regarding deals in which law firm **Ropes & Gray** LLP, which employed neither man, was acting as an adviser. Those deals included Bain Capital Partners LLC's failed bid to acquire 3Com Corp. and Axcan Pharma Inc.'s acquisition by TPG Capital.

In addition to Zvi Goffer and Mr. Goldfarb, those who entered not guilty pleas Tuesday were Arthur Cutillo, a former intellectual-property lawyer at Ropes & Gray; Craig Drimal, who worked in Galleon's office space but wasn't employed by the firm; and several individuals associated with Incremental Capital: Zvi's brother Emanuel Goffer, Michael Kimelman and David Plate.

The indictment, unsealed last month, added an additional count of conspiracy to commit securities fraud against Zvi Goffer and Mr. Goldfarb, as well as additional securities-fraud counts against several of the defendants.

Prosecutors also have alleged that Gautham Shankar, a proprietary trader at Schottenfeld, separately provided inside information to the Goffer brothers, Mr. Drimal, Mr. Kimelman and Mr. Plate about Blackstone Group LP's acquisition of Hilton Hotel Corp. in 2007 and Kronos Inc.'s acquisition by a private-equity firm in 2007. Mr. Shankar has pleaded guilty in the criminal case and is cooperating with prosecutors.

Separately, prosecutors disclosed that they inadvertently gave some wiretaps related to the seven who pled not guilty Tuesday to the U.S. Securities & Exchange Commission in December. The information was disclosed in a letter from Assistant U.S. Attorney Jonathan Streeter that was dated Jan. 27 and unsealed Tuesday.

The letter was filed in a parallel civil insider-trading case brought by the SEC against Mr. Rajaratnam, Zvi Goffer and 12 others.

"These recordings were provided to the SEC as part of a larger production of consensually recorded calls that are are not subject" to the wiretap statute, Mr. Streeter said.

Upon learning of the inadvertent disclosure, the SEC immediately returned all the recordings to prosecutors and didn't retain any copies, Mr. Streeter said.

In a letter tied to the civil case and dated Jan. 29 and made public Tuesday, Cynthia Monaco, a lawyer for Zvi Goffer, said the recordings that were given to the SEC include seven consensual recordings and 21 wiretap communications.

She described the recordings as the "core" of the government's case and "its view of the most damaging evidence" against Zvi Goffer and six co-defendants in his criminal case.

In her letter, Ms. Monaco said she believes prosecutors, by sharing the wiretaps with the SEC, have opened the door for the recordings to be suppressed in the criminal case.

Nomura profit misses expectations

Continued from page 21

Its results were also hit by a slowdown in client trading, a phenomenon that also affected results at the trading businesses of Morgan Stanley and Goldman Sachs Group Inc.

Nomura said revenue from its capital-markets business fell 6.1% to 163.9 billion from 174.5 billion in the second quarter as investors such as hedge funds booked profits following a lucrative business year.

"Volatility everywhere fell, so the environment was very difficult for trading. But as of January, trading flow is coming back," Nomura Chief Financial Officer Masafumi Nakada said at a news conference. He said the nascent upturn means Nomura should achieve its goal of turning an annual profit.

Azuma Ohno, an analyst at Credit Suisse in Tokyo, said after stripping out all of the one-time expenses, the "overall results can be described as strong."

Nomura used the Lehman overseas acquisition to remodel its business to look more like that of U.S. and European brokerages, with a heightened focus on clients who trade often, such as hedge funds.

The strategy paid off in mid-2009 when bid-offer spreads that banks earn on trades widened. A turnaround in fixed-income revenue helped Nomura recover from a record annual net loss in the fiscal year ended March 2009.

Trading activity will pick up again in the coming months as hedge funds start reopening trading positions, according to analysts, but few expect spreads to widen again to the same extent as last year.

—Atsuko Fukase contributed to this article.

Rally in won is likely

Exports are strong, and Korean stocks are a play on China's growth

By David Roman

SINGAPORE—Even as the South Korean won drops against the U.S. dollar, signs are mounting that a won rally is just around the corner.

CURRENCY MARKETS

Several factors argue in favor of a stronger won. Like last year, when it was Asia's best-performing currency with an 11% rise against the dollar, Korea expects to run a current account surplus in 2010. In addition, its large and diversified stock market remains a top destination for foreign investors seeking exposure to Asian economic growth, particularly that in China.

Several analysts, including those of Calyon and Merrill Lynch, tip the dollar to fall steadily from its current level of 1,158.9 won to 1,000 won by year's end.

A big part of the won's appeal comes from Chinese demand. China has been Korea's largest trading partner in recent years and took 30% of Korean exports, according to Korean trade data for the first 20 days of January, released Monday.

Korean exports remain cost-competitive against those of rivals in the heavy-manufacturing sector from Taiwan and Japan, aided by the won's strong depreciation in 2008. Then, the currency was by far the worst Asian performer amid the global financial crisis, dropping 28% against the U.S. dollar.

CURRENCY STRENGTH

Ready for gains?

How many Korean won one U.S. dollar buys

Source: Thomson Reuters via WSJ Market Data Group

The won's collapse unnerved investors at the time, but it has been a boon for Korean corporations. In the first 20 days of January, exports rose 47% from the year-earlier period, the strongest annual gain in more than 20 years. China-bound exports surged 89%.

Of course, those numbers benefited from a low comparison base. And there are reasons for investors to question the rosy outlook.

A slew of downgrades and warnings targeting highly indebted countries such as Greece, Portugal and Spain has raised concerns about sovereign debt and focused attention on leverage in South Korea, where levels of household debt levels are similar to the U.S. level at more than 100% of disposable income, higher than its neighbors.

Another concern is the risk of fresh central-bank intervention. The won's strong showing last year came despite continued central bank sales of won to slow down its gains, but the prospect of even stronger intervention as the won approaches 2008 levels is real.

Still, as HSBC noted in a recent report, the Bank of Korea may now be more tolerant of a stronger won than in years past, in part because of mounting worries about inflation.

In other currency moves, the Australian dollar slid against the U.S. dollar after the Reserve Bank of Australia surprised investors by leaving key interest rates unchanged and raising concerns about further policy tightening in China.

Late morning in New York, the euro was at $1.3946 from $1.3932 late Monday. The dollar was at 90.32 yen, from 90.65 yen, while the euro was at 125.96 yen, from 126.30 yen. The U.K. pound was at $1.5957 from $1.5960. The dollar was at 1.0562 Swiss francs from 1.0559 francs.

The Australian dollar bought 0.8828 U.S. dollars, down from 0.8914 U.S. dollars late Monday.

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Here's a quick glimpse of whom you will be meeting.
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Regional CEO,
Singapore and South East Asia,
Standard Chartered Bank
Michael Lor
Group CEO,
EON Bank Group
Rajit Punshi
Head Group Operational Risk Policy,
Standard Chartered Bank
Dhananjaya Dvivedi
Senior Managing Executive Officer, Group Chief Information Officer, Head of Banking Infrastructure Group,
Shinsei Group
Yungky Setiawan
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PT Bank Mega Tbk
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China Erzhong falls below IPO on its debut

SHANGHAI—**China Erzhong Group (Deyang) Heavy Industries** Co. fell a more-than-expected 4.1% below its initial public offering price on its first day of trade, the second such disappointment on the Shanghai exchange since China resumed approving listings in June.

Analysts said they expect more companies in China to make disappointing debuts because of lofty valuations in the primary market.

China Erzhong, a heavy machinery maker, ended at 8.15 yuan ($1.19) Tuesday, down from its IPO price of 8.50 yuan and lower than the average 2% decline forecast by three analysts surveyed by Dow Jones Newswires.

The Shanghai Composite Index ended down 0.2% at 2934.71, reversing earlier gains, as investors remained concerned about more monetary-tightening moves from Beijing.

"I'm now concerned about the next company that will debut on the Shanghai bourse—**China First Heavy Industries**' valuation is also very high," said Li Bin, an analyst at Guolian Securities.

China First Heavy Industries is expected to list on the Shanghai exchange on Feb. 9, a fund manager familiar with the matter has said.

China Erzhong raised 2.55 billion yuan last week by selling new shares at 40.48 times 2008 earnings per share, compared with price-to-earnings ratios of about 20 for its listed peers.

—Wynne Wang and Michelle Ng

Japan auction solid but yields still rise

By Andrew Monahan And Ditas Lopez

BOND MARKETS

Japanese government bond yields rose Tuesday despite strong demand at an auction of 10-year paper, as investors opted for stocks in the wake of a solid rebound in U.S. factory activity.

The benchmark 10-year yield firmed 0.015 percentage point to 1.345%.

But analysts said the 10-year auction revealed strong demand among Japanese banks flush with cash, which could keep market moves in check in the coming sessions. In addition, a surprise decision by the Reserve Bank of Australia to keep its policy rate unchanged underscored concerns that the global economic recovery remains fragile, which could make bonds more attractive.

The auction "could be a catalyst for the whole market to move lower in yields in the short term," said Christian Carrillo, senior interest rate strategist at Royal Bank of Scotland. The solid bidding is likely "put to rest" speculation that supply concerns could eat into demand and push yields sharply higher.

The 2.005-trillion-yen ($22.12 billion) offering met with 7.261 trillion yen in bids, bringing the bid-to-cover ratio, a gauge of demand, to 3.62, up from 2.58 last month. A higher bid-to-cover ratio is considered an indicator of stronger demand.

Other measures also revealed more enthusiastic bidding. The tail, which looks at the difference between the average price and the lowest accepted price, shortened to 0.03 from 0.05 at the last tender. A shorter tail indicates stronger demand.

The bonds were sold at a lowest price of 99.55, in line with traders expectations, yielding 1.351%. The average price was 99.58, yielding 1.348%.

Among Asian borrowers, **Industrial Bank of Korea**, or IBK, sold $350 million in bonds late Monday, the lower end of the $300 million to $500 million that the state-run bank had touted to the market.

The bank didn't get enough bids at its desired price to sell the entire $500 million it wanted, people familiar with the transaction said Tuesday. It attracted around $1 billion in orders.

IBK priced its bond due Aug. 4, 2015 to yield 2.05 percentages point over comparable U.S. Treasurys. That was tighter than the initial spread guidance of around 2.10 percentage point over Treasurys.

Deutsche Bank, HSBC Holdings, Goldman Sachs were in charge of the deal.

Meanwhile, Indonesian petrochemicals company PT **Chandra Asri** has so far attracted around $300 million in orders for its $230 million inaugural international bond offering, a person familiar with that deal said. With the offer well covered, the speculative-grade borrower is close to getting a deal done, the person said. Pricing was possible later Tuesday.

It is now looking to pay a yield between 13.00% and 13.50%, the person also said, after unveiling an initial guidance of 13% plus or minus 0.50 percentage point.

Under the terms, Chandra Asri will pay part of the principal along with coupon payments such that at the end of 4.5 years, it will have paid down half of the principal amount of the bond, according to people familiar with the deal.

DBS, Deutsche Bank AG and Standard Chartered Bank PLC are in charge of the sale.

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Leading 10 Performers

FUND RATING *	FUND NAME	FUND MGM'T CO.	CURR.	LEGAL BASE	% Return in $US ** YTD	1-YR	2-YR	5-YR
NS	**Vastned Offices/Industrial Inc**	Vastned Management B.V.	EUR	Nethrlnds	**0.80**	89.47	-15.01	-2.85
NS	**Vastned Retail Inc**	Vastned Management B.V.	EUR	Nethrlnds	**2.99**	76.53	-9.73	4.56
NS	**Eurocommercial Properties Inc**	Eurocommercial Properties N.V.	EUR	Nethrlnds	**-3.12**	47.01	-7.60	8.30
NS	**DIM Vastgoed Inc**	DIM Vastgoed N.V.	USD	Nethrlnds	**0.28**	44.02	-10.37	-1.83
NS	**St James's Place Property Acc**	St James's Place Group	GBP	United Kingdom	**-0.62**	33.31	-13.85	NS
NS	**SF Property Securites CH A**	Credit Suisse Asset Management Funds AG	CHF	Switzrlnd	**-0.10**	30.76	4.22	NS
NS	**Nieuwe Steen Investments Inc**	Nieuwe Steen Investments N.V.	EUR	Nethrlnds	**-3.97**	30.50	-4.45	3.76
NS	**Millennium Imobiliário**	Millennium bcp Gestão de Fundos	EUR	Portugal	**-1.85**	27.99	-11.97	NS
NS	**Ignis UK Property Acc**	Ignis Asset Mgmt	GBP	United Kingdom	**-0.56**	25.85	-12.26	-2.92
NS	**Thames River Property Gr Inc EUR Acc**	Thames River Capital LLP	EUR	Guernsey	**-3.93**	24.79	-8.07	NS

NOTE: Changes in currency rates will affect performance and rankings.
KEY: ** 2YR and 5YR performance is annualized
NA-not available due to incomplete data;
NS-fund not in existence for entire period

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Am Eq Blend A	OT	OT	LUX	02/01	USD	10.04	-3.2	33.5	-13.6
Am Eq Blend B	US	EQ	LUX	02/01	USD	9.42	-3.4	32.1	-14.4
Am Growth A	US	EQ	LUX	02/01	USD	29.58	-5.3	35.3	-3.8
Am Growth AX	US	EQ	LUX	02/01	USD	31.94	-5.3	36.0	-3.3
Am Growth B	US	EQ	LUX	02/01	USD	24.84	-5.4	33.8	-4.8
Am Growth C	US	EQ	LUX	02/01	USD	26.75	-5.3	34.6	-4.2
Am Growth I	US	EQ	LUX	02/01	USD	32.80	-5.3	36.3	-3.1
Am Income A	US	BD	LUX	02/01	USD	8.48	0.6	24.7	5.4
Am Income A2	US	BD	LUX	02/01	USD	19.24	1.1	25.3	5.7
Am Income A2	OT	OT	NA	02/01	HKD	149.46	1.1	25.3	5.7
Am Income AT	OT	OT	NA	02/01	HKD	65.72	1.1	25.4	5.7
Am Income AT	US	BD	LUX	02/01	USD	8.46	1.1	25.4	5.7
Am Income B	US	BD	LUX	02/01	USD	8.48	0.6	23.8	4.7
Am Income B2	US	BD	LUX	02/01	USD	16.58	1.0	24.6	5.0
Am Income B2	OT	OT	NA	02/01	HKD	128.79	1.0	24.6	5.0
Am Income BT	OT	OT	NA	02/01	HKD	66.11	0.6	24.1	4.8
Am Income BT	US	BD	LUX	02/01	USD	8.51	0.6	24.1	4.8
Am Income C	US	BD	LUX	02/01	USD	8.48	0.6	24.1	4.9
Am Income C2	US	BD	LUX	02/01	USD	24.66	1.1	24.9	5.2
Am Income I	US	BD	LUX	02/01	USD	8.48	0.6	25.4	6.1
Am Value A	US	EQ	LUX	02/01	USD	8.36	-2.0	20.8	-12.9
Am Value B	US	EQ	LUX	02/01	USD	7.69	-2.0	19.6	-13.7
Am Value C	US	EQ	LUX	02/01	USD	8.36	-2.0	20.3	-13.3
Am Value I	US	EQ	LUX	02/01	USD	9.00	-2.0	21.8	-12.2
Emg Mkts Debt A	GL	BD	LUX	02/01	USD	15.54	-0.1	41.8	7.4
Emg Mkts Debt A2	GL	BD	LUX	02/01	USD	20.19	0.4	42.8	7.7
Emg Mkts Debt AT	GL	BD	LUX	02/01	USD	15.58	-0.1	42.1	7.4
Emg Mkts Debt B	GL	BD	LUX	02/01	USD	15.54	-0.1	40.6	6.4
Emg Mkts Debt B2	GL	BD	LUX	02/01	USD	19.42	0.3	41.2	6.6
Emg Mkts Debt BT	GL	BD	LUX	02/01	USD	15.56	-0.1	40.7	6.3
Emg Mkts Debt C	GL	BD	LUX	02/01	USD	15.54	-0.1	41.3	6.9
Emg Mkts Debt C2	GL	BD	LUX	02/01	USD	19.83	0.4	42.0	7.2
Emg Mkts Debt I	GL	BD	LUX	02/01	USD	15.54	-0.1	42.5	7.9
Emg Mkts Growth A	GL	EQ	LUX	02/01	USD	32.51	-6.2	75.4	-12.5
Emg Mkts Growth B	GL	EQ	LUX	02/01	USD	27.53	-6.3	73.7	-13.4
Emg Mkts Growth C	GL	EQ	LUX	02/01	USD	28.17	-6.2	74.6	-12.9
Emg Mkts Growth I	GL	EQ	LUX	02/01	USD	36.07	-6.1	76.8	-11.8
Eur Growth A	OT	OT	LUX	02/01	USD	9.59	-2.0	26.0	-14.9
Eur Growth A	OT	OT	LUX	02/01	EUR	6.89	-2.0	26.0	-14.9
Eur Growth B	OT	OT	LUX	02/01	EUR	6.19	-2.1	24.5	-15.7
Eur Growth B	OT	OT	LUX	02/01	USD	8.62	-2.1	24.5	-15.7
Eur Growth C	EU	EQ	LUX	02/01	EUR	5.22	-2.1	25.5	-15.3
Eur Growth I	OT	OT	LUX	02/01	EUR	10.46	-2.1	26.9	-14.2
Eur Growth I	OT	OT	LUX	02/01	EUR	7.51	-2.1	26.9	-14.2
Eur Income A	OT	OT	LUX	02/01	EUR	6.71	1.7	40.6	5.7
Eur Income A	OT	OT	LUX	02/01	USD	9.34	1.7	40.6	5.7
Eur Income A2	OT	OT	LUX	02/01	EUR	13.15	2.2	41.2	5.9
Eur Income A2	OT	OT	LUX	02/01	USD	18.31	2.2	41.2	5.9
Eur Income AT	EU	BD	LUX	02/01	EUR	6.70	2.3	41.3	5.9
Eur Income B	OT	OT	LUX	02/01	EUR	6.71	1.7	39.8	5.0
Eur Income B	OT	OT	LUX	02/01	USD	9.34	1.7	39.8	5.0
Eur Income B2	OT	OT	LUX	02/01	EUR	12.22	2.1	40.1	5.1
Eur Income B2	OT	OT	LUX	02/01	USD	17.02	2.1	40.1	5.1
Eur Income BT	EU	BD	LUX	02/01	EUR	6.70	1.7	39.7	4.9
Eur Income C	OT	OT	LUX	02/01	EUR	6.71	1.7	40.1	5.2
Eur Income C	OT	OT	LUX	02/01	USD	9.34	1.7	40.1	5.2
Eur Income C2	OT	OT	LUX	02/01	EUR	13.10	2.1	40.6	5.4
Eur Income C2	OT	OT	LUX	02/01	USD	18.24	2.1	40.6	5.4
Eur Income I	OT	OT	LUX	02/01	EUR	6.71	1.7	41.2	6.2
Eur Income I	OT	OT	LUX	02/01	USD	9.34	1.7	41.2	6.2
Eur Strat Value A	OT	OT	LUX	02/01	EUR	8.31	-2.6	27.8	-18.1
Eur Strat Value A	OT	OT	LUX	02/01	USD	11.57	-2.6	27.8	-18.1
Eur Strat Value I	OT	OT	LUX	02/01	EUR	8.51	-2.6	28.9	-17.5
Eur Strat Value I	OT	OT	LUX	02/01	USD	11.85	-2.6	28.9	-17.5
Eur Value A	OT	OT	LUX	02/01	EUR	8.92	-3.0	32.0	-15.1
Eur Value A	OT	OT	LUX	02/01	USD	12.42	-3.0	32.0	-15.1
Eur Value B	OT	OT	LUX	02/01	USD	11.42	-3.1	30.6	-16.0
Eur Value B	OT	OT	LUX	02/01	EUR	8.20	-3.1	30.6	-16.0
Eur Value C	OT	OT	LUX	02/01	USD	12.00	-3.0	31.2	-15.5
Eur Value C	OT	OT	LUX	02/01	EUR	8.62	-3.0	31.2	-15.5
Eur Value I	OT	OT	LUX	02/01	USD	14.36	-2.9	33.0	-14.4
Eur Value I	OT	OT	LUX	02/01	EUR	10.31	-2.9	33.0	-14.4
Gl Balanced (Euro) A	OT	OT	LUX	02/01	USD	15.78	-1.2	24.2	-10.1
Gl Balanced (Euro) B	OT	OT	LUX	02/01	USD	15.35	-1.3	23.0	-11.0
Gl Balanced (Euro) C	OT	OT	LUX	02/01	USD	15.65	-1.2	23.9	-10.3
Gl Balanced (Euro) I	OT	OT	LUX	02/01	USD	16.07	-1.2	NS	NS
Gl Balanced A	US	BA	LUX	02/01	USD	16.13	-2.1	29.5	-10.1
Gl Balanced B	US	BA	LUX	02/01	USD	15.32	-2.2	28.1	-11.1
Gl Balanced C	OT	OT	LUX	02/01	USD	15.88	-2.2	29.0	-10.4
Gl Balanced C	OT	OT	LUX	02/01	EUR	11.40	-2.2	29.0	-10.4
Gl Balanced I	US	BA	LUX	02/01	USD	16.74	-2.0	30.4	-9.5
Gl Bond A	US	BD	LUX	02/01	USD	9.35	1.2	15.3	4.5
Gl Bond A2	US	BD	LUX	02/01	USD	16.25	1.5	15.6	4.6
Gl Bond A2	OT	OT	NA	02/01	HKD	126.23	1.5	15.6	4.6
Gl Bond AT	OT	OT	LUX	02/01	HKD	72.48	1.2	15.2	4.4
Gl Bond AT	US	BD	LUX	02/01	USD	9.33	1.2	15.2	4.4
Gl Bond B	US	BD	LUX	02/01	USD	9.35	1.2	14.3	3.4
Gl Bond B2	US	BD	LUX	02/01	USD	14.22	1.4	14.4	3.6
Gl Bond B2	OT	OT	NA	02/01	HKD	110.46	1.4	14.4	3.6
Gl Bond BT	OT	OT	LUX	02/01	HKD	72.79	1.2	14.2	3.4
Gl Bond BT	US	BD	LUX	02/01	USD	9.37	1.2	14.2	3.4
Gl Bond C	US	BD	LUX	02/01	USD	9.35	1.2	14.8	4.0
Gl Bond C2	US	BD	LUX	02/01	USD	14.10	1.5	15.1	4.1
Gl Bond I	US	BD	LUX	02/01	USD	9.35	1.2	15.8	5.0
Gl Conservative A	US	BA	LUX	02/01	USD	14.79	-0.5	19.5	-3.8
Gl Conservative A2	US	BA	LUX	02/01	USD	16.84	-0.5	19.5	-3.8
Gl Conservative B	US	BA	LUX	02/01	USD	14.77	-0.6	18.3	-4.8
Gl Conservative B2	US	BA	LUX	02/01	USD	15.99	-0.6	18.4	-4.7
Gl Conservative C	US	BA	LUX	02/01	USD	14.78	-0.5	18.9	-4.2
Gl Conservative C2	US	BA	LUX	02/01	USD	16.46	-0.6	18.9	-4.2
Gl Conservative I	US	BA	LUX	02/01	USD	14.87	-0.5	20.6	-3.0
Gl Eq Blend A	GL	EQ	LUX	02/01	USD	11.13	-4.5	37.7	-20.3
Gl Eq Blend B	GL	EQ	LUX	02/01	USD	10.44	-4.7	36.5	-21.1
Gl Eq Blend C	GL	EQ	LUX	02/01	USD	10.93	-4.6	37.1	-20.7
Gl Eq Blend I	GL	EQ	LUX	02/01	USD	11.75	-4.5	38.9	-19.7
Gl Growth A	GL	EQ	LUX	02/01	USD	39.86	-4.9	33.9	-21.2
Gl Growth B	GL	EQ	LUX	02/01	USD	33.25	-4.9	32.6	-21.9
Gl Growth C	GL	EQ	LUX	02/01	USD	38.23	-4.9	33.3	-21.5
Gl Growth I	GL	EQ	LUX	02/01	USD	44.29	-4.8	35.0	-20.5
Gl High Yield A	US	BD	LUX	02/01	USD	4.37	0.9	56.3	5.6
Gl High Yield A2	US	BD	LUX	02/01	USD	9.41	1.6	57.4	5.8
Gl High Yield A2	OT	OT	NA	02/01	HKD	73.10	1.6	57.4	5.8
Gl High Yield AT	OT	OT	NA	02/01	HKD	33.56	1.6	57.1	5.7
Gl High Yield AT	US	BD	LUX	02/01	USD	4.32	1.6	57.1	5.7
Gl High Yield B	US	BD	LUX	02/01	USD	4.37	0.9	54.5	4.3
Gl High Yield B2	US	BD	LUX	02/01	USD	15.11	1.5	55.8	4.8
Gl High Yield B2	OT	OT	NA	02/01	HKD	117.37	1.5	55.8	4.8
Gl High Yield BT	OT	OT	NA	02/01	HKD	34.18	0.9	55.0	4.4
Gl High Yield BT	US	BD	LUX	02/01	USD	4.40	0.9	55.0	4.4
Gl High Yield C	US	BD	LUX	02/01	USD	4.37	0.9	55.6	5.0
Gl High Yield C2	US	BD	LUX	02/01	USD	13.94	1.6	56.6	5.3
Gl High Yield I	US	BD	LUX	02/01	USD	4.37	0.9	57.3	6.2
Gl Thematic Res. A	OT	OT	LUX	02/01	USD	14.05	-4.6	74.3	-1.3
Gl Thematic Res. B	OT	OT	LUX	02/01	USD	12.28	-4.7	72.5	-2.3
Gl Thematic Res. I	OT	OT	LUX	02/01	USD	15.67	-4.6	75.7	-0.6
Gl Value A	GL	EQ	LUX	02/01	USD	10.67	-4.2	42.1	-19.5
Gl Value B	GL	EQ	LUX	02/01	USD	9.80	-4.3	40.6	-20.3
Gl Value C	GL	EQ	LUX	02/01	USD	10.37	-4.2	41.5	-19.8
Gl Value I	GL	EQ	LUX	02/01	USD	11.36	-4.1	43.3	-18.8
Greater China A	AS	EQ	LUX	02/01	USD	37.17	-7.1	57.3	-13.4
Greater China B	AS	EQ	LUX	02/01	USD	32.87	-7.2	55.7	-14.2
Greater China C	AS	EQ	LUX	02/01	USD	36.69	-7.2	56.6	-13.7
India Growth A	OT	OT	LUX	01/29	USD	121.35	-4.4	NS	NS
India Growth AX	OT	OT	LUX	01/29	USD	106.10	-4.4	97.5	-7.2
India Growth B	OT	OT	LUX	01/29	USD	127.02	-4.5	NS	NS
India Growth BX	OT	OT	LUX	01/29	USD	90.62	-4.4	95.5	-8.1
India Growth I	EA	EQ	LUX	01/29	USD	110.00	-4.3	98.3	-6.9
Int'l Health Care A	OT	EQ	LUX	02/01	USD	138.09	0.5	19.7	-6.2
Int'l Health Care B	OT	EQ	LUX	02/01	USD	116.37	0.4	18.5	-7.1
Int'l Health Care C	OT	EQ	LUX	02/01	USD	132.29	0.4	19.1	-6.6
Int'l Health Care I	OT	EQ	LUX	02/01	USD	150.98	0.5	20.6	-5.4
Int'l Technology A	OT	EQ	LUX	02/01	USD	102.33	-7.3	47.5	-8.3
Int'l Technology B	OT	EQ	LUX	02/01	USD	88.60	-7.4	46.0	-9.2
Int'l Technology C	OT	EQ	LUX	02/01	USD	98.86	-7.3	46.8	-8.7
Int'l Technology I	OT	EQ	LUX	02/01	USD	114.82	-7.2	48.7	-7.6
Japan Eq Blend A	JP	EQ	LUX	02/01	JPY	5908.00	-1.9	23.9	-19.7
Japan Eq Blend B	JP	EQ	LUX	02/01	JPY	5696.00	-2.0	22.7	-20.5
Japan Eq Blend C	JP	EQ	LUX	02/01	JPY	5812.00	-1.9	23.3	-20.0
Japan Growth A	JP	EQ	LUX	02/01	JPY	5663.00	-3.6	14.6	-20.7
Japan Growth B	JP	EQ	LUX	02/01	JPY	5460.00	-3.7	13.5	-21.5
Japan Growth C	JP	EQ	LUX	02/01	JPY	5571.00	-3.6	14.1	-21.0
Japan Strat Value A	JP	EQ	LUX	02/01	JPY	6114.00	-0.1	33.3	-19.0
Japan Strat Value B	JP	EQ	LUX	02/01	JPY	5900.00	-0.2	32.0	-19.8
Japan Strat Value C	JP	EQ	LUX	02/01	JPY	6010.00	-0.1	32.7	-19.4
Real Estate Sec. A	OT	EQ	LUX	02/01	USD	13.71	-4.5	47.3	-16.0
Real Estate Sec. B	OT	EQ	LUX	02/01	USD	12.52	-4.6	45.8	-16.8
Real Estate Sec. I	OT	EQ	LUX	02/01	USD	14.74	-4.4	48.4	-15.3
Short Mat Dollar A	US	BD	LUX	02/01	USD	7.28	0.1	13.6	-5.3
Short Mat Dollar A2	US	BD	LUX	02/01	USD	9.83	0.4	13.9	-5.3
Short Mat Dollar AT	US	BD	LUX	02/01	USD	7.26	0.1	13.7	-5.4
Short Mat Dollar B	US	BD	LUX	02/01	USD	7.28	0.1	13.2	-5.7
Short Mat Dollar B2	US	BD	LUX	02/01	USD	9.78	0.4	13.5	-5.7
Short Mat Dollar BT	OT	OT	LUX	02/01	USD	7.28	0.1	NS	-6.0
Short Mat Dollar C	US	BD	LUX	02/01	USD	7.28	0.1	13.2	-5.7
Short Mat Dollar C2	US	BD	LUX	02/01	USD	13.83	0.4	13.5	-5.6
Short Mat Dollar I	US	BD	LUX	02/01	USD	7.28	0.1	14.2	-4.8

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Platinm-All Star	OT	OT	CYM	11/30	USD	96.31	14.7	11.9	-12.2
Platinm-All Weather	OT	OT	USA	10/31	USD	129.92	2.4	3.2	3.8
Platinm-Dynasty	OT	OT	USA	11/30	USD	113.20	10.2	10.7	-29.6
Platinm-Emancipation	OT	OT	USA	11/30	USD	90.86	21.4	24.1	-9.4
Platinm-Equity Plus	OT	OT	USA	05/29	USD	35.02	-18.2	-63.7	-45.6
Platinm-Gbl Dividend	OT	OT	CYM	10/30	USD	60.64	29.4	15.3	-31.8
Platinm-Nordic	OT	OT	CYM	11/30	SEK	612.68	12.3	10.4	-17.0
Platinm-Premier	OT	OT	CYM	12/31	USD	21.20	-55.9	-66.0	-44.3
Platinm-Turnberry	OT	OT	USA	11/30	USD	57.51	NS	NS	-33.7

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Superfund Cayman*	OT	OT	CYM	01/26	USD	35.49	-13.0	-58.6	-11.2
Superfund GCT USD*	GL	EQ	LUX	01/26	USD	2027.00	-7.6	-45.6	-6.1
Superfund Green Gold A (SPC)	OT	OT	CYM	01/26	USD	900.08	-6.7	-21.6	0.1
Superfund Green Gold B (SPC)	OT	OT	CYM	01/26	USD	841.90	-10.0	-37.4	-5.4
Superfund Q-AG*	OT	OT	AUT	01/26	EUR	6178.00	-6.7	-30.0	-0.5

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Winton Evolution EUR Cls H	OT	OT	CYM	12/31	EUR	945.08	NS	NS	NS
Winton Evolution GBP Cls G	OT	OT	CYM	12/31	GBP	949.08	NS	NS	NS
Winton Evolution USD Cls F	OT	OT	CYM	12/31	USD	1199.12	-5.4	-5.4	2.0
Winton Futures EUR Cls C	OT	OT	VGB	12/31	EUR	196.82	-4.4	-4.4	7.7
Winton Futures GBP Cls D	OT	OT	VGB	12/31	GBP	212.85	-4.1	-4.1	8.7
Winton Futures JPY Cls E	OT	OT	VGB	12/31	JPY	13885.82	-5.9	-5.9	5.0
Winton Futures USD Cls B	OT	OT	VGB	12/31	USD	699.39	-4.6	-4.6	7.4

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Concentra AE	EU	EQ	DEU	02/02	EUR	50.13	-3.9	44.9	-7.4
Industria AE	EU	EQ	DEU	02/02	EUR	71.17	-0.5	37.1	-12.7
InternRent AE	EU	BD	DEU	02/02	EUR	36.73	4.3	1.0	10.1

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MARKETS

U.S. stocks heartened by home sales, Horton

By Donna Kardos Yesalavich And Kristina Peterson

NEW YORK—U.S. stocks climbed broadly Tuesday, led by industrials as an unexpected rise in pending-home sales and a surprise quarterly profit from builder **D.R. Horton** lifted sentiment around the housing sector.

ABREAST OF THE MARKET

The Dow Jones Industrial Average was up 8.2.30, or 0.8%, to 10267.83 in midday trade. **Alcoa** was the measure's best performer, up 2.8%, after Citigroup Global Markets raised its investment rating on the aluminum giant to buy from hold, calling it "attractively valued." **American Express** gained 2.1% after Bank of America upgraded its investment rating on the credit-card sector, lifting its rating on American Express shares to buy from neutral.

Home Depot rose 1.5%, boosted by the better-than-expected housing data.

Boeing was among the Dow's few decliners, down 0.9%. The company is close to scrapping the 787-3, a short-range version of its 787 Dreamliner, after its two Japanese customers opted to convert to the 787-8 version.

The Standard & Poor's 500-stock index rose 1% to 1099.70, and the tech-heavy Nasdaq Composite firmed 0.6% to 2184.19.

Tuesday's stock gains came as a forecasting gauge of existing-home sales unexpectedly rose in December. Separately, builder D.R. Horton posted its first quarterly profit since the housing-market slump. Its shares jumped 9.7% as nearly every measure of its business showed improvement, boosted by low mortgage rates, home prices and a federal tax credit.

Barnes and Noble climbed 5.9% after billionaire Ron Burkle suggested he wants to own more than a third of the book retailer.

United Parcel Services edged up 0.7%. Its fourth-quarter earnings nearly tripled on year-earlier charges. However, it warned that the first quarter would be the most challenging of the year.

European stocks

European markets rose, as upbeat economic data and gains in the basic-resource sector offset weakness in oil and gas stocks.

The pan-European Stoxx 600 Index closed up 1% to 250.85. The U.K.'s FTSE 100 Index rose 0.7% to 5283.31, while France's CAC-40 Index ended 1.3% higher at 3812.13 and Germany's DAX gained 1% to 5709.66.

Miners rose on higher metals prices and an unexpected decision by the Reserve Bank of Australia to keep interest rates on hold. **Rio Tinto** added 3.4%, while **Anglo American** gained 3.2%, both in London.

BP dropped 3.8%, also in London. The oil giant swung to a fourth-quarter net profit, but it missed analysts' expectations in refining.

Treasurys shrug off housing report

By Kelly Nolan And Deborah Lynn Blumberg

NEW YORK—Treasury prices leaned higher Tuesday, brushing off an unexpected increase in December pending home sales, and amid stern comments from Treasury Secretary Timothy Geithner on the budget deficit.

U.S. CREDIT MARKETS

The National Association of Realtors' index for pending sales of previously owned homes increased by 1% to 96.6 in December from a revised 95.6 in November, the industry group said Tuesday. Economists surveyed by Dow Jones had expected pending home sales to remain flat.

"The bond market may be telling you it doesn't believe in the strength of the economic news right now," saidBrian Edmonds, head of interest rates at Cantor Fitzgerald.

Also lending some support to the market were comments from Mr. Geithner, who said in prepared testimony to the Senate Finance Committee that the U.S. is committed to cutting the country's sizable budget deficit to a sustainable level. He also noted economic recovery could weaken without a commitment to reducing the deficit.

In late-morning trading, the two-year note was up 1/32 at 100 2/32 to yield 0.843%. The 10-year note was up 2/32 at 97 25/32 to yield 3.646%. The 30-year note was up 1/32 at 96 28/32 to yield 4.568%

Australian stocks climb after RBA rate decision

By Shri Navaratnam And Leslie Shaffer

Australian shares rose Tuesday after the country's central bank surprised traders with its decision to keep rates on hold, as Asian markets ended mixed.

ASIAN-PACIFIC STOCKS

BHP Billiton climbed 3.2% and **Rio Tinto** surged 5.3% as resources stocks rallied, following in the footsteps of U.S.-listed counterparts.

The Reserve Bank of Australia's decision to hold rates after raising them in the previous three meetings weighed on the foreign-exchange markets, sharply dragging down the Australian dollar.

Australia's S&P/ASX 200 added 1.8% to 4605.3, Japan's Nikkei Stock Average of 225 companies advanced 1.6% to 10371.09, and Hong Kong's Hang Seng Index rose 0.1% to 20272.18.

Australia-listed copper company **PanAust** added 9.1% after **Citigroup** said in a report that copper remains the most "structurally tight" commodity long term, tipping good value in Australian copper names. Hong Kong's **Jiangxi Copper** also gained 1.7%.

Australia's **MacArthur Coal** jumped 13% after Citigroup upgraded the stock to "buy" from "hold" following its recent selloff.

Other regional indexes declined. South Korea's Kospi fell 0.7% to 1595.81, China's Shanghai Composite lost 0.2% to 2934.71, and Taiwan's Taiex shed 1.3% to 7429.61.

Auto makers pushed Japanese stocks higher as **Toyota Motor** took steps to fix recalled vehicles, though their South Korean rivals declined in Seoul after a string of recent gains.

In Tokyo, auto makers advanced on Toyota's announcement of plans to fix problematic accelerator pedals. The auto maker's shares, which were heavily sold recently after it recalled vehicles in the U.S. and Europe because some gas pedals were sticking, jumped 4.5%.

Honda Motor, which also announced a world-wide recall of 646,000 compact cars to examine defective window switches, advanced 2.4%, while **Nissan Motor** gained 3.5%.

But South Korean auto shares lost ground. **Hyundai Motor** gave up 3.5% and **Kia Motors** fell 2.2%, despite data on Monday that showed January car sales jumped 64% from a year earlier.

An overnight increase in crude-oil prices helped energy producers. **Woodside Petroleum** tacked on 3.9%, Japan's **Inpex** rose 2.9% and Hong Kong's **Cnooc** advanced 1.1%.

In Shanghai, concerns about monetary tightening weighed on **China Erzhong Group Deyang Heavy Industries**. The machinery maker's shares finished at 8.15 yuan ($1.19), compared with its initial public offering at 8.50 yuan. The stock was also hurt by worries about expensive valuations.

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GAM Arbitrage Op	OT	OT	VGB	01/22	USD	1278.23	2.8	24.8	-6.4
GAM Asia Eq Hdg JPY Op	GL	EQ	VGB	01/29	JPY	14028.55	-9.7	59.2	2.6
GAM Asia Equity Hedge US	OT	OT	VGB	01/29	USD	261.80	-9.8	59.9	3.9
GAM Asia Equity USD	OT	OT	VGB	02/01	USD	600.05	-8.2	61.3	-10.2
GAM Asia-Pacific Eq USD	OT	OT	VGB	01/29	USD	1262.09	-1.6	26.6	-12.8
GAM Com Glb Bal EUR Op	US	BA	VGB	01/25	EUR	95.68	0.6	18.4	-5.6
GAM Com Glb Bal USD Op	US	BA	VGB	01/25	USD	128.59	0.6	18.4	-5.6
GAM Comp Glb Eq EUR Op	GL	EQ	VGB	01/25	EUR	97.61	-0.3	27.8	-10.6
GAM Comp Glb Eq USD Op	GL	EQ	VGB	01/25	USD	127.11	-0.3	27.8	-10.6
GAM Comp Glb Gr EUR Op	US	BA	VGB	01/25	EUR	86.28	0.0	20.1	-8.6
GAM Comp Glb Gr USD Op	US	BA	VGB	01/25	USD	127.02	0.0	20.1	-8.6
GAM CompAbsRT EUR Op	OT	OT	VGB	09/30	EUR	141.71	9.1	0.1	-6.9
GAM CompAbsRT SGD Op	OT	OT	VGB	09/30	SGD	102.21	9.2	-0.1	-8.3
GAM CompAbsRT USD Op	OT	OT	VGB	09/30	USD	845.66	9.5	0.7	-7.0
GAM Cptal Apprec Eq Inc	US	EQ	VGB	01/29	USD	233.71	-6.0	36.8	-9.1
GAM Cross Trading Inc	OT	OT	VGB	01/25	USD	464.84	-0.2	4.2	NS
GAM Diversity CHF Op	OT	OT	VGB	01/25	CHF	94.03	-0.3	3.5	-6.1
GAM Diversity EUR Op	OT	OT	VGB	01/25	EUR	646.74	-0.3	4.2	-4.6
GAM Diversity USD 2.5XL	OT	OT	VGB	01/25	USD	77.68	-0.8	7.2	-17.3
GAM Diversity USD Op	OT	OT	VGB	01/25	USD	679.27	-0.2	4.1	NS
GAM Dvrsty II CHF Op	OT	OT	VGB	01/25	CHF	99.13	-0.4	2.8	NS
GAM Dvrsty II EUR Op	OT	OT	VGB	01/25	EUR	138.30	-0.3	3.5	-4.8
GAM Dvrsty II USD Op	OT	OT	VGB	01/25	USD	209.47	-0.3	3.4	-5.1
GAM DvrstyIII EUR Op	OT	OT	VGB	01/25	EUR	115.14	-0.4	3.5	-5.0
GAM DvrstyIII USD Op	OT	OT	VGB	01/25	USD	121.58	-0.3	3.7	-5.1
GAM Euro Eq Hdg EUR Op	EU	EQ	VGB	01/29	EUR	219.74	0.4	13.1	-2.8
GAM Euro Eq Hdg USD Op	OT	OT	VGB	01/29	USD	204.01	0.3	13.5	-1.3
GAM European Equity USD	OT	OT	VGB	02/01	USD	278.02	-5.2	33.8	-12.7
GAM GAMCO	OT	EQ	VGB	01/26	USD	786.89	-2.9	46.9	-6.7
GAM Gb EmMkts Hdg EUROp	OT	OT	VGB	01/29	EUR	97.01	-0.9	13.9	-14.9
GAM Gb EmMkts Hdg USDOp	OT	OT	VGB	01/29	USD	102.37	-0.8	14.6	-14.2
GAM Gbl Divers USD Inc.	GL	EQ	VGB	02/01	USD	252.25	0.1	34.1	-4.8
GAM Grtr China Eq Hdg Op	GL	EQ	VGB	01/29	USD	256.98	-10.4	94.4	14.9
GAM Intrst Trend II	GL	BD	VGB	01/25	USD	103.17	9.6	55.0	-5.0
GAM Intrst Trend Inc	OT	OT	VGB	01/25	USD	273.99	8.9	67.8	-2.9
GAM Japan Eq Hdg EUR Op	AS	EQ	VGB	01/29	EUR	122.77	5.2	16.0	-0.3
GAM Japan Eq Hdg USD Op	OT	OT	VGB	01/29	USD	126.47	3.6	17.4	-15.3
GAM Japan Eq Hdg YEN Open	AS	EQ	VGB	01/29	JPY	8708.57	3.6	20.5	-12.8
GAM Japan USD	JP	EQ	VGB	02/01	USD	1122.55	1.8	18.1	-13.3
GAM Japan YEN	JP	EQ	VGB	02/01	JPY	8889.83	0.7	21.4	-18.7
GAM Money Mkt EuroOp	EU	MM	VGB	02/01	EUR	51.15	0.1	0.2	1.6
GAM Money Mkt USD	US	MM	VGB	01/29	USD	100.01	0.1	0.0	0.7
GAM Multi-Arb EUR Op	OT	OT	VGB	01/25	EUR	111.96	0.7	0.4	-8.8
GAM Multi-Arb USD Op	OT	OT	VGB	01/25	USD	116.87	0.7	0.6	-9.1
GAM Multi-China EUR Op	OT	OT	VGB	01/25	EUR	166.22	-1.0	10.7	-6.7
GAM Multi-China USD Op	OT	OT	VGB	01/25	USD	174.77	-1.0	11.2	-7.4
GAM Multi-Emer Mkts GBP	OT	OT	VGB	01/25	GBP	131.06	-0.3	24.2	-0.3
GAM Multi-Emer Mkts USD	OT	OT	VGB	01/25	USD	648.52	-0.4	24.2	-0.8
GAM Multi-Eur EUR Op	OT	OT	VGB	01/25	EUR	268.50	-0.1	6.0	-6.6
GAM Multi-Eur II EUR Op	OT	OT	VGB	01/25	EUR	138.15	-0.1	6.2	-6.7
GAM Multi-Eur II USD Op	OT	OT	VGB	01/25	USD	112.93	-0.1	5.9	-7.7
GAM Multi-Eur USD Op	OT	OT	VGB	01/25	USD	467.05	-0.1	5.7	-7.6
GAM Multi-Nth Am EUR Special	OT	OT	VGB	01/25	EUR	133.91	-0.1	10.0	NS
GAM Multi-Nth Am USD Special	OT	OT	VGB	01/25	USD	217.96	-0.1	10.9	NS
GAM Multi-Pac EUR Op	GL	EQ	VGB	01/25	EUR	142.60	-0.6	3.4	-2.8
GAM Multi-Pac USD Op	OT	OT	VGB	01/25	USD	164.50	-0.6	3.6	-3.2
GAM Portable Dvr/S&P500	OT	OT	VGB	08/24	USD	70.11	17.7	-27.7	-22.9
GAM Selection Hdg	US	EQ	VGB	01/22	USD	2699.62	2.3	67.2	11.8
GAM Sing/Malaysia	AS	EQ	VGB	02/01	USD	2369.74	-6.2	52.7	-9.1
GAM Sterling Spe Bd Inc	OT	OT	VGB	01/29	GBP	238.75	3.8	47.3	5.2
GAM Trading EUR Inc	OT	OT	VGB	01/25	EUR	324.42	-0.2	4.3	5.5
GAM Trading USD Inc	OT	OT	VGB	01/25	USD	970.94	-0.2	4.6	4.8
GAM Trdg II IncEUR Op	OT	OT	VGB	01/25	EUR	138.76	-0.2	4.2	5.4
GAM Trdg II IncUSD Op	OT	OT	VGB	01/25	USD	315.27	-0.2	4.6	4.9
GAM Trdg IV IncEUR Op	OT	OT	VGB	01/25	EUR	146.44	-0.2	4.0	5.1
GAM Trdg IV IncUSD Op	OT	OT	VGB	01/25	USD	154.19	-0.2	4.4	4.7
GAM Trdg V IncEUR Op	OT	OT	VGB	01/25	EUR	124.15	-0.2	3.3	5.0
GAM Trdg V IncUSD Op	OT	OT	VGB	01/25	USD	129.32	-0.2	3.8	4.7
GAM TrdgIII IncEUR Op	OT	OT	VGB	01/25	EUR	156.63	-0.2	4.1	5.2
GAM TrdgIII IncUSD Op	OT	OT	VGB	01/25	USD	162.16	-0.2	4.4	4.8
GAM USDSpecBondInc	US	BD	VGB	01/29	USD	556.19	4.9	81.2	9.1
GAM Worldwide	GL	EQ	VGB	01/29	USD	2100.49	-5.6	32.0	-9.7
GAMut Investments	OT	OT	VGB	01/27	USD	7613.75	0.4	2.2	7.8

■ GAM Star Fund Plc

GAMStar-AsEqCHF Ord Ac	AS	EQ	IRL	02/01	CHF	10.31	-6.6	43.7	-11.9
GAMStar-AsEqEUR Ord Ac	AS	EQ	IRL	02/01	EUR	11.23	-5.7	47.7	-6.9
GAMStar-AsEqGBP Ord Ac	AS	EQ	IRL	02/01	GBP	1.46	-7.2	46.1	0.3
GAMStar-AsEqUSD Ord Ac	AS	EQ	IRL	02/01	USD	12.29	-8.4	60.8	-9.4
GAMStar-AsPacEqEUR Acc	AS	EQ	IRL	02/01	EUR	101.53	0.4	19.7	-10.0
GAMStar-AsPacEqEUR Inc	AS	EQ	IRL	02/01	EUR	98.26	0.4	19.7	-10.0
GAMStar-ContEurEqEUR Ac	EU	EQ	IRL	02/01	EUR	10.73	-2.4	26.8	-7.3
GAMStar-EurpEqEUR Acc	EU	EQ	IRL	02/01	EUR	178.76	-2.4	25.1	-10.1
GAMStar-EurpEqEUR Inc	EU	EQ	IRL	02/01	EUR	163.35	-2.4	25.1	-10.1
GAMStar-EurpEqUSD Acc	EU	EQ	IRL	02/01	USD	15.19	-5.1	36.0	-12.5
GAMStar-EurpEqUSD Inc	EU	EQ	IRL	02/01	USD	13.77	-5.1	35.9	-12.5
GAMStar-FrontierOppUSD Acc	GL	EQ	IRL	01/29	USD	5.39	-1.9	35.1	NS
GAMStar-JpnEq EUR Acc	JP	EQ	IRL	02/01	EUR	90.95	4.4	10.0	-7.9
GAMStar-JpnEq EUR Inc	JP	EQ	IRL	02/01	EUR	90.95	4.4	10.0	-7.9
GAMStar-JpnEq JPY Acc	JP	EQ	IRL	02/01	JPY	927.80	1.2	17.0	-18.0
GAMStar-JpnEq USD Acc	JP	EQ	IRL	02/01	USD	11.31	2.5	13.4	-12.5
GAMStar-World EqUSD Acc	GL	EQ	IRL	02/01	USD	2136.91	-5.5	33.0	-9.2

LIST YOUR FUNDS

In print & online. Contact:
carson.wong@dowjones.com

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■ MANULIFE ASSET MANAGEMENT TEL:(852)2108 1110
Internet:http://www.manulife.com.hk 47/F Manulife Plaza, Causeway Bay, Hong Kong

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
American Growth	US	EQ	LUX	02/02	USD	14.72	-5.4	24.0	-11.9
American Growth AA	US	EQ	LUX	02/02	USD	0.85	-5.5	23.7	-8.8
Asian Equity	AS	EQ	LUX	02/02	USD	2.28	-7.2	62.0	-8.5
Asian Equity AA	AS	EQ	LUX	02/02	USD	0.73	-7.2	61.4	-8.8
Asian Sm Cap Equity AA	AS	EQ	LUX	02/02	USD	1.12	-4.2	92.0	-3.2
China Value A	AS	EQ	LUX	02/02	USD	6.52	-8.8	56.6	-5.1
China Value AA	AS	EQ	LUX	02/02	USD	2.05	-8.9	56.2	-5.3
Dragon Growth	AS	EQ	LUX	02/02	USD	1.52	-7.7	57.8	-8.4
Dragon Growth AA	OT	OT	LUX	02/02	HKD	7.41	-7.5	57.8	-9.3
Emg Eastrn Europe A	EU	EQ	LUX	02/02	USD	4.74	0.3	124.7	-13.6
Emg Eastrn Europe AA	EU	EQ	LUX	02/02	USD	2.04	0.3	124.3	-13.8
European Growth	EU	EQ	LUX	02/02	USD	8.80	-5.6	53.8	-16.8
European Growth AA	EU	EQ	LUX	02/02	USD	0.63	-5.6	53.5	-17.0
Global Contrarain AA	GL	EQ	LUX	02/02	USD	0.90	-0.2	90.1	NS
Global Property AA	OT	EQ	LUX	02/02	USD	0.65	-4.9	52.5	-13.5
Global Resources AA	OT	EQ	LUX	02/02	USD	1.03	-8.8	38.3	-15.6
Healthcare AA	OT	EQ	LUX	02/02	USD	0.94	-1.4	14.3	NS
India Equity AA	EA	EQ	LUX	02/02	USD	1.03	-5.5	74.4	-15.7
International Growth	GL	EQ	LUX	02/02	USD	2.97	-4.0	25.1	-14.4
International Growth AA	GL	EQ	LUX	02/02	USD	0.69	-4.0	24.8	-14.6
Japanese Growth	JP	EQ	LUX	02/02	USD	2.79	-0.1	15.6	-11.6
Japanese Growth AA	JP	EQ	LUX	02/02	USD	0.73	0.6	16.1	-11.5
Latin America Equity AA	GL	EQ	LUX	02/02	USD	1.20	-9.6	84.9	-5.7
Manulife GF Strategic Income Fund AA	OT	OT	NA	02/02	USD	1.01	0.2	NS	NS
MGF Asia Value Dividend Equity Fund	OT	OT	Lux	02/02	USD	1.11	-2.8	NS	NS
Russia Equity AA	EE	EQ	LUX	02/02	USD	0.67	5.0	168.4	-18.2
Taiwan Equity AA	AS	EQ	LUX	02/02	USD	0.98	-8.1	88.9	1.6
Turkey Equity AA	EE	EQ	LUX	02/02	USD	0.82	6.0	145.0	-1.2
U.S. Bond AA	US	BD	LUX	02/02	USD	1.12	1.7	18.8	7.5
U.S. Sm Cap Equity AA	US	EQ	LUX	02/02	USD	0.83	0.0	69.4	-10.0
U.S. Special Opportunities	OT	OT	LUX	02/02	USD	0.85	3.2	88.4	3.3
U.S. Tsy Inf-ProtSec AA	OT	BD	LUX	02/02	USD	1.15	1.0	10.2	1.7

■ PT CIPTADANA ASSET MANAGEMENT
Tel: +62 21 25574 883 Fax: +62 21 25574 893 Website: www.ciptadana.com

Indonesian Grth Fund	EA	EQ	CYM	01/27	USD	127.58	0.2	121.1	2.5

Sensible Asset Management
A Value Partners Group company

■ SENSIBLE ASSET MANAGEMENT LIMITED
www.samfund.com.hk Tel: (852) 2868 6848 Fax: (852) 2810 9948

Asia Value Formula Fd-B	AS	EQ	CYM	02/01	USD	7.71	-3.9	88.5	-3.5

SOCIETE GENERALE Asset Management

■ SG ASSET MANAGEMENT (HK) LTD
Hotline in Hong Kong 2166 5099
A company of Amundi Group
www.sgam.com

Bonds Eur Hi Yld A	OT	OT	LUX	01/29	EUR	21.16	2.8	53.5	2.8
Bonds EURO A	OT	OT	LUX	02/01	EUR	41.28	0.6	5.8	4.4
Bonds EUROPE A	OT	OT	LUX	02/01	EUR	39.43	0.8	4.9	4.0
Bonds US OppsCoreplus A	OT	OT	LUX	01/29	USD	37.53	1.7	16.1	8.3
Bonds World A	OT	OT	LUX	02/01	USD	41.76	-0.6	9.8	3.9
Eq. AsiaPac Dual Strategies A	OT	OT	LUX	02/01	USD	9.59	-7.9	64.9	-10.7
Eq. China A	AS	EQ	LUX	02/01	USD	21.67	-10.2	57.0	-10.6
Eq. Concentrated Euroland A	OT	OT	LUX	02/01	EUR	89.24	-4.0	21.0	-16.3
Eq. ConcentratedEuropeA	EU	EQ	LUX	02/01	EUR	26.33	-2.5	33.2	-15.1
Eq. Emerging Europe A	OT	OT	LUX	02/01	EUR	24.86	5.5	107.4	-19.0
Eq. Euroland A	EU	EQ	LUX	02/01	EUR	10.40	-3.9	21.1	-17.2
Eq. Euroland Small Cap A	OT	OT	LUX	01/29	EUR	140.70	-0.3	41.4	-6.1
Eq. EurolandCyclclsA	EU	EQ	LUX	01/29	EUR	17.43	-2.1	31.8	-11.2
Eq. EurolandFinancialA	OT	EQ	LUX	02/01	EUR	10.62	-6.1	38.5	-19.4
Eq. Glbl Emg Cty A	GL	EQ	LUX	02/01	USD	8.82	-8.9	61.0	-15.3
Eq. Global A	GL	EQ	LUX	02/01	USD	26.86	-3.6	36.3	-12.0
Eq. Global Energy A	OT	EQ	LUX	02/01	USD	17.55	-3.2	27.8	-12.4
Eq. Global Resources A	OT	OT	LUX	01/29	USD	98.62	-9.7	38.0	-13.7
Eq. Gold Mines A	OT	EQ	LUX	02/01	USD	28.03	-7.5	33.7	-6.6
Eq. India A	OT	OT	LUX	02/01	USD	123.86	-5.3	74.5	-15.9
Eq. Japan CoreAlpha A	OT	OT	LUX	02/01	JPY	7475.60	3.1	32.9	-7.9
Eq. Latin America A	OT	OT	LUX	01/29	USD	103.95	-10.6	67.3	-12.3
Eq. US Lg Cap Gr A	US	EQ	LUX	01/29	USD	14.27	-6.4	30.8	-10.7
Eq. US Rel Val A	US	EQ	LUX	02/01	USD	20.09	-2.5	39.0	-14.9
Eq, US Sm Cap Val A	US	EQ	LUX	02/01	USD	15.45	-3.1	32.6	-19.0
Money Market EURO A	EU	MM	LUX	01/29	EUR	27.40	0.0	0.8	2.5
Money Market USD A	US	MM	LUX	01/29	USD	15.83	0.0	0.4	1.5

The National Investor

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TNI Mena Real Estate Fund	OT	OT	BMU	01/21	USD	942.77	-1.9	1.9	-30.0
TNI MENA Special Sits Fund	OT	OT	BMU	12/31	USD	1079.31	11.2	11.2	NS
TNI UAE Blue Chip Fund	OT	OT	ARE	01/28	AED	4.88	-8.4	24.4	-34.3

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**formerly known as China ABH Shares Fund*

Intel-Chin MainInd Foc	AS	EQ	CYM	01/29	USD	28.14	-5.7	85.5	2.1
Intel-China Converg*	AS	EQ	CYM	01/29	USD	107.04	-6.1	85.8	1.1
VP Classic - A	AS	EQ	CYM	02/01	USD	175.51	-5.9	77.9	2.1
VP Classic - B	AS	EQ	CYM	02/01	USD	81.77	-5.9	77.0	1.6
VP High Dividend Stk	AS	EQ	CYM	01/25	USD	44.72	-1.6	84.6	4.3

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Tel +81-3-5299-3277 www.yukijapan.co.jp

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■ YMR-N Series

YMR-N Growth Fund	OT	OT	IRL	02/02	JPY	9334.00	-3.3	18.4	-19.8
YMR-N Small Cap Fund	OT	OT	IRL	02/02	JPY	6846.00	-3.2	15.5	-19.4

■ Yuki 77 Series

Yuki 77 General	JP	EQ	IRL	02/02	JPY	6023.00	-2.1	13.6	-23.0
Yuki 77 Growth	JP	EQ	IRL	02/02	JPY	5510.00	-2.3	8.3	-26.7

■ Yuki Chugoku Series

Yuki Chugoku Jpn Gen	JP	EQ	IRL	02/02	JPY	6773.00	-0.8	21.4	-18.7
Yuki Chugoku JpnLowP	JP	EQ	IRL	02/02	JPY	7583.00	0.6	5.5	-18.4

■ Yuki Hokuyo Japan Series

Yuki Hokuyo Jpn Gen	JP	EQ	IRL	02/02	JPY	4624.00	-1.0	14.4	-22.7
Yuki Hokuyo Jpn Inc	JP	EQ	IRL	02/02	JPY	5220.00	-0.5	11.1	-17.4
Yuki Hokuyo Jpn Sm Cap	JP	EQ	IRL	02/02	JPY	4977.00	-2.5	16.0	-18.6

■ Yuki Mizuho Series

Yuki Mizuho Gen Jpn III	OT	OT	IRL	02/02	JPY	4308.00	-2.5	16.5	-26.8
Yuki Mizuho Jpn Dyn Gro	OT	OT	IRL	02/02	JPY	4539.00	-2.7	16.3	-26.8
Yuki Mizuho Jpn Exc 100	OT	OT	IRL	02/02	JPY	6819.00	-2.2	27.6	-21.0
Yuki Mizuho Jpn Gen	OT	OT	IRL	02/02	JPY	8390.00	-2.6	21.2	-19.6
Yuki Mizuho Jpn Gro	OT	OT	IRL	02/02	JPY	6207.00	-2.4	13.4	-21.6
Yuki Mizuho Jpn Inc	OT	OT	IRL	02/02	JPY	7548.00	-1.1	4.6	-20.0
Yuki Mizuho Jpn Lg Cap	OT	OT	IRL	02/02	JPY	5148.00	-0.8	19.9	-20.6
Yuki Mizuho Jpn LowP	OT	OT	IRL	02/02	JPY	11475.00	-0.7	15.8	-15.0
Yuki Mizuho Jpn PGth	OT	OT	IRL	02/02	JPY	7795.00	-2.1	16.2	-24.0
Yuki Mizuho Jpn SmCp	OT	OT	IRL	02/02	JPY	6909.00	-3.2	22.5	-19.7
Yuki Mizuho Jpn Val Sel	OT	OT	IRL	02/02	JPY	5611.00	-0.7	19.0	-17.5
Yuki Mizuho Jpn YoungCo	OT	OT	IRL	02/02	JPY	2626.00	-3.7	16.8	-26.0

■ Yuki Shizuoka Japan Series

Yuki Shizuoka General Japan	JP	EQ	IRL	02/02	JPY	5314.00	-2.0	20.7	-20.0

For information about listing your funds, please contact: Carson Wong tel: +852 2831-6481; email: carson.wong@dowjones.com

Major players & benchmarks

At right, a look at the Asia Titans, the biggest and best known companies in Asia. Below, some of the Dow Jones Titans indexes of biggest and most liquid stocks in individual countries and regions

Giants around the world

In U.S.-dollar terms.

Dow Jones Country Titans

	INDEX PERFORMANCE Previous session	Year-to-date	52-week
Turkey	-1.16%	2.8%	106.5%
Sweden	-0.39	1.5	63.7
Japan	1.83	1.0	21.1
Netherlands	-0.01	0.8	39.6
Russia	0.29	0.6	112.1
Switzerland	0.53	-1.0%	33.0
South Africa	1.09	-2.4	28.0
U.K.	-0.06	-3.0	25.7
Italy	0.74	-4.1	29.0
France	0.50	-4.4	28.0
Canada	-0.30	-5.0	27.3
Spain	0.58	-5.1	21.9
Germany	0.29	-5.2	23.7
Australia	1.63	-5.3	29.3
South Korea	-0.83	-5.9	39.2
Singapore	-0.65	-6.4	60.8
Hong Kong	0.04	-7.4	53.3
Brazil	0.08	-9.2	69.9
China 88	-0.01	-13.1	39.6

Dow Jones Regional Sector Titans

Nordic 30 -p	1.48%	3.4%	48.8%
EU Enlarged†-p	0.16	3.0	64.0
Travel Leisure	0.24	2.5	33.3
Pers H'hold Gds	0.58	1.7	32.2
Arab 50	0.70	0.6	26.0
Asian 50	1.60	-2.1%	40.4
Stoxx 50 -p	0.50	-3.7	28.5
Global 50	0.23	-4.2	27.3
Euro Stoxx 50 -p	0.59	-5.8	27.0
Tiger 50*	0.08	-6.9	63.0

*Asia excluding Japan †15 companies from the new EU countries; Cyprus, CzechRepublic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia.

Source: Dow Jones Indexes

Dow Jones Asia Titans: Tuesday's best and worst...

Company	Country	Industry	Market value, in billions of US$	Previous close, in local currency	STOCK PERFORMANCE Previous session	52-week	Three-year
Mitsui	Japan	Industrial Suppliers	$27.4	1,368	5.80%	41.2%	-29.7%
RioZim Ltd	Australia	General Mining	38.0	71.01	5.34	97.6	18.5
Mitsubishi	Japan	Industrial Suppliers	40.9	2,249	5.09	83.9	-9.9
Westfield Grp	Australia	Retail REITs	26.3	12.90	4.54	6.6	-42.6
Toyota Motor	Japan	Automobiles	125.7	3,605	4.49	25.2	-54.7
China Constr Bk	Hong Kong	Banks	$173.6	6.00	-1.48%	59.2	29.6
China Life Ins	Hong Kong	Life Insurance	32.9	34.30	-1.44	64.5	49.5
Taiwan Smcndtr Mfg	Taiwan	Semiconductors	47.7	59.00	-1.34	38.4	-13.1
Nintendo	Japan	Toys	35.7	25,200	-1.29	-6.7	-23.3
Indl Comm Bk China	Hong Kong	Banks	61.0	5.70	-1.21	72.7	25.0

...And the rest of Asia's blue chips

Company/Country (Industry)	Market value, in billions (U.S)	Latest, in local currency	STOCK PERFORMANCE Latest	52-week	Three-year
Woodside Petroleum Australia (Exploration Production)	27.3	43.20	**3.87**%	23.6%	14.8%
Nissan Motor Japan (Automobiles)	33.6	746.00	**3.47**	178.4	-46.2
BHP Billiton Australia (General Mining)	119.8	40.46	**3.21**	35.9	51.7
Shin-Etsu Chml Japan (Specialty Chemicals)	22.6	4,820	**3.10**	12.1	-37.9
Sony Japan (Consumer Electronics)	34.8	3,155	**3.10**	80.0	-46.0
JFE Hldgs Japan (Iron Steel)	19.2	3,280	**2.82**	37.2	-52.8
Canon Japan (Electronic Office Equipment)	49.3	3,610	**2.70**	49.8	-42.1
Honda Motor Japan (Automobiles)	62.1	3,070	**2.37**	49.0	-33.6
QBE Ins Grp Australia (Reinsurance)	20.9	23.10	**2.21**	-2.7	-25.4
Nippon Steel Japan (Iron Steel)	23.3	334.00	**2.14**	23.3	-54.2
Hon Hai Precision Ind Taiwan (Electrical Components Equipment)	35.7	134.00	**1.90**	153.5	-8.7
POSCO South Korea (Iron Steel)	35.4	541,000	**1.88**	48.6	54.6
Panasonic Japan (Consumer Electronics)	33.5	1,462	**1.81**	35.3	-37.0
Nippon T&T Japan (Fixed Line Telecommunications)	58.5	3,990	**1.40**	-5.0	-36.5
Hutchison Whampoa Hong Kong (Diversified Industrials)	29.8	54.20	**1.12**	43.8	-33.0
Mizuho Financial Grp Japan (Banks)	28.0	180.00	**1.12**	-15.1	-78.4
Commonwlth Bk of Aus Australia (Banks)	71.8	53.55	**1.08**	84.3	4.8
CNOOC Hong Kong (Exploration Production)	64.8	11.26	**1.08**	71.1	70.9
Mitsubishi UFJ Finl Japan (Banks)	73.6	478.00	**1.06**	-0.6	-66.1
Tokio Marine Hldgs Japan (Property Casualty Insurance)	21.8	2,506	**1.05**	5.1	-43.3

Company/Country (Industry)	Market value, in billions (U.S)	Latest, in local currency	STOCK PERFORMANCE Latest	52-week	Three-year
China Mobile (HK) Hong Kong (Mobile Telecommunications)	193.1	75.45	**0.94**%	8.9%	-0.4%
PetroChina Hong Kong (Integrated Oil Gas)	24.0	8.84	**0.91**	56.2	-8.3
Sun Hung Kai Prop Hong Kong (Real Estate Holding Development)	33.8	102.30	**0.79**	58.2	3.2
NTT DoCoMo Japan (Mobile Telecommunications)	64.6	139,700	**0.79**	-7.2	-29.4
Cheung Kong Hong Kong (Real Estate Holding Development)	28.1	94.35	**0.64**	42.5	-11.2
Woolworths Australia (Food Retailers Wholesalers)	27.9	25.66	**0.59**	-7.1	3.6
KB Fncl Group South Korea (Banks)	17.3	52,200	**0.58**	49.1	-35.1
Seven I Hldgs Japan (Broadline Retailers)	19.9	1,993	**0.55**	-19.6	-44.6
Aus NZ Bk Australia (Banks)	48.4	21.89	**0.41**	59.8	-26.7
Sumitomo Mitsui Finl Japan (Banks)	33.1	2,962	**0.37**	-15.6	-74.5
Tokyo Elec Power Japan (Conventional Electricity)	36.1	2,416	**0.33**	-11.0	-46.0
KDDI Japan (Mobile Telecommunications)	24.0	489,000	**0.31**	-7.0	-46.4
Westpac Bking Australia (Banks)	60.6	23.60	**0.30**	43.9	-7.6
Takeda Pharm Japan (Pharmaceuticals)	35.4	4,055	**0.25**	-2.3	-49.3
Kansai Elec Power Japan (Conventional Electricity)	21.8	2,061	**-0.43**	-12.3	-46.5
East Japan Railway Japan (Travel Tourism)	26.6	6,080	**-0.49**	4.8	-30.6
National Australia Bk Australia (Banks)	48.0	25.95	**-0.57**	32.7	-37.1
Shinhan Financial Grp South Korea (Banks)	17.4	42,500	**-0.58**	59.6	-19.3
Japan Tobacco Japan (Tobacco)	35.7	335,500	**-0.59**	35.9	-40.1
Samsung Elec South Korea (Semiconductors)	98.1	772,000	**-0.64**	57.6	31.5

Sources: Dow Jones Indexes; WSJ Market Data Group

Tracking credit markets & dealmakers

— NOTICE TO READERS —
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Hedge funds

Dow Jones Hedge Benchmark	TOTAL RETURN for rolling periods, net of fees* One week	One month	One quarter	Year to date	One year
Merger Arbitrage	-0.01%	-0.07%	1.3%	-0.1%	6.5%
Event Driven	-0.08	0.79	2.9	0.7	14.9
Equity Long/Short	-0.65	-0.54	1.6	-0.3	3.0

*Estimates as of 01/29/10, after fees; Source: www.djhedgefundindexes.com

Credit derivatives

Spreads on credit derivatives are one way the market rates creditworthiness. Regions that are treading in rough waters can see spreads swing toward the maximum—and vice versa. Indexes below are for five-year swaps.

Markit iTraxx Indexes

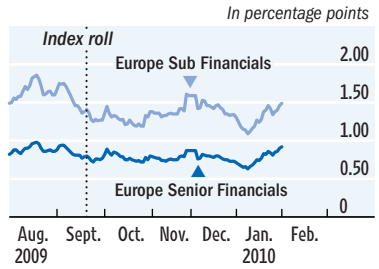
Index: series/version	Mid-spread, in pct. pts.	Mid-price	Coupon	SPREAD RANGE, in pct. pts. since most recent roll Maximum	Minimum	Average
Europe: 12/1	0.83	100.77%	0.01%	1.00	0.65	0.82
Eur. High Volatility: 12/1	1.18	99.17	0.01	1.76	0.92	1.30
Europe Crossover: 12/1	4.60	101.56	0.05	6.15	3.79	4.97
Asia ex-Japan IG: 12/1	1.16	99.29	0.01	1.29	0.87	1.05
Japan: 12/1	1.46	97.84	0.01	1.68	0.99	1.33

Note: Data as of February 1

Spreads

Spreads on five-year swaps for corporate debt; based on Markit iTraxx indexes.

In percentage points



Source: Markit Group

Credit-default swaps: Asian companies

At its most basic, the pricing of credit-default swaps measures how much a buyer has to pay to purchase-and how much a seller demands to sell-protection from default on an issuer's debt. The snapshot below gives a sense which way the market was moving yesterday.

Showing the biggest improvement...

	Yesterday	CHANGE, in basis points Yesterday	Five-day	28-day
Citic Pac	139	**-8**	6	-2
Isetan	82	**-3**	-3	-7
Toshiba	158	**-2**	10	-1
Hitachi	90	**-2**	0	1
IHI	305	**-2**	-11	-21
Nippon Sheet Glass	205	**-2**	9	1
Mitsui Chems	135	**-2**	-8	15
Tokyu	43	**-1**	3	-1
Japan Tob	35	**-1**	1	...
Canon	36	**-1**	1	...

And the most deterioration

	Yesterday	CHANGE, in basis points Yesterday	Five-day	28-day
Sanyo Shinpan Fin	636	**8**	-1	-170
Lg Electrs	119	**8**	8	20
Itochu	148	**8**	14	-2
Nissan Mtr	136	**9**	18	12
Marubeni	211	**10**	21	4
Acom	291	**11**	19	37
KT&G	94	**11**	7	17
Promise	640	**12**	-3	-139
Orix	297	**12**	32	25
Hysan Dev	69	**13**	8	13

Source: Markit Group

Behind Asia's deals: Bank revenue rankings, Global (ex US)

Behind every IPO, bond offering, merger deal or syndicated loan is one or more investment banks. Here are investment banks ranked by year-to-date revenues from recent deals.

	Revenue, in millions	Market share	PERCENTAGE OF TOTAL REVENUE Equity capital markets	Debt capital markets	Mergers & acquisitions	Loans
JPMorgan	$2,554	6.8%	51%	22%	26%	2%
Credit Suisse	2,113	5.7	46	28	24	2
UBS	1,911	5.1	52	17	31	1
Goldman Sachs	1,788	4.8	47	15	38	...
Deutsche Bank	1,719	4.6	38	35	25	2
Morgan Stanley	1,637	4.4	55	16	29	1
Nomura	1,505	4.0	69	17	14	...
Bank of America Merrill Lynch	1,402	3.8	43	24	30	3
Citi	1,377	3.7	36	30	30	4

Source: Dealogic

GLOBAL MARKETS LINEUP

Commodities

Prices of futures contracts with the most open interest

EXCHANGE LEGEND: CBOT: Chicago Board of Trade; **CME:** Chicago Mercantile Exchange; **NYBOT:** New York Board of Trade; **MDEX:** Bursa Malaysia Derivatives Berhad; **LIFFE:** London International Financial Futures Exchange; **LME:** London Mercantile Exchange; **NYMEX:** New York Mercantile Exchange; **ICE:** IntercontinentalExchange

Commodity	Exchange	Last price	ONE-DAY CHANGE Net	ONE-DAY CHANGE Percentage	Contract high	Contract low
Corn (cents/bu.)	CBOT	364.50	5.50	1.53%	712.25	315.50
Soybeans (cents/bu.)	CBOT	920.00	10.25	1.13	1,560.00	805.00
Wheat (cents/bu.)	CBOT	485.00	10.25	2.16	1,029.25	459.00
Live cattle (cents/lb.)	CME	88.700	-0.675	-0.76%	95.175	85.050
Cocoa ($/ton)	ICE-US	3,150	-46	-1.44	3,514	2,066
Coffee (cents/lb.)	ICE-US	133.05	0.50	0.38	188.65	115.00
Sugar (cents/lb.)	ICE-US	29.31	0.03	0.10	30.40	11.91
Cotton (cents/lb.)	ICE-US	68.44	0.22	0.32	84.00	49.67
Crude palm oil (ringgit/ton)	MDEX	2,452.00	7	0.29	2,743	2,150
Cocoa (pounds/ton)	LIFFE	2,201	-24	-1.08	2,350	1,310
Robusta coffee ($/ton)	LIFFE	1,329	7	0.53	1,710	1,300
Copper (cents/lb.)	COMEX	311.40	3.05	0.99	365.00	135.50
Gold ($/troy oz.)	COMEX	1112.60	8.30	0.75	1,229.00	785.10
Silver (cents/troy oz.)	COMEX	1663.00	-3.00	-0.18	2,011.50	1,045.00
Aluminum ($/ton)	LME	2,099.00	22.00	1.06	2,356.50	1,288.00
Tin ($/ton)	LME	16,500.00	400.00	2.48	18,250.00	9,945.00
Copper ($/ton)	LME	6,870.00	177.00	2.64	7,695.00	3,171.00
Lead ($/ton)	LME	2,111.00	95.00	4.71	2,615.00	995.00
Zinc ($/ton)	LME	2,163.50	62.50	2.97	2,659.00	1,086.00
Nickel ($/ton)	LME	18,125	unch	unch.	21,150	9,475
Crude oil ($/bbl.)	NYMEX	75.83	1.40	1.88	141.30	48.78
Heating oil ($/gal.)	NYMEX	1.9732	0.0183	0.94	3.5280	1.3800
RBOB gasoline ($/gal.)	NYMEX	1.9766	0.0445	2.30	2.2003	1.2176
Natural gas ($/mmBtu)	NYMEX	5.468	0.034	0.63	12.590	4.550
Brent crude ($/bbl.)	ICE-EU	74.58	1.47	2.01	98.10	49.10
Gas oil ($/ton)	ICE-EU	609.00	15.50	2.61	688.00	502.25

Source: Thomson Reuters; WSJ Market Data Group

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Currencies

London close on Feb. 2

AMERICAS	Per euro	In euros	Per U.S. dollar	In U.S. dollars
Argentina peso-a	5.3417	0.1872	3.8288	0.2612
Brazil real	2.5643	0.3900	1.8380	0.5441
Canada dollar	1.4791	0.6761	1.0602	0.9432
1-mo. forward	1.4792	0.6760	1.0603	0.9432
3-mos. forward	1.4793	0.6760	1.0603	0.9431
6-mos. forward	1.4796	0.6759	1.0605	0.9429
Chile peso	737.96	0.001355	528.95	0.001891
Colombia peso	2733.44	0.0003658	1959.25	0.0005104
Ecuador US dollar-f	1.3951	0.7168	1	1
Mexico peso-a	17.9606	0.0557	12.8736	0.0777
Peru sol	3.9755	0.2515	2.8495	0.3509
Uruguay peso-e	27.275	0.0367	19.550	0.0512
U.S. dollar	1.3951	0.7168	1	1
Venezuela bolivar	5.99	0.166898	4.29	0.232848
ASIA-PACIFIC				
Australia dollar	1.5780	0.6337	1.1311	0.8841
China yuan	9.5246	0.1050	6.8270	0.1465
Hong Kong dollar	10.8360	0.0923	7.7669	0.1288
India rupee	64.4350	0.0155	46.1850	0.0217
Indonesia rupiah	13059	0.0000766	9360	0.0001068
Japan yen	126.04	0.007934	90.35	0.011069
1-mo. forward	126.03	0.007934	90.34	0.011070
3-mos. forward	125.99	0.007937	90.31	0.011073
6-mos. forward	125.92	0.007942	90.25	0.011080
Malaysia ringgit-c	4.7749	0.2094	3.4225	0.2922
New Zealand dollar	1.9636	0.5093	1.4075	0.7105
Pakistan rupee	118.448	0.0084	84.900	0.0118
Philippines peso	64.735	0.0154	46.400	0.0216
Singapore dollar	1.9669	0.5084	1.4098	0.7093
South Korea won	1618.30	0.0006179	1159.95	0.0008621
Taiwan dollar	44.722	0.02236	32.055	0.03120
Thailand baht	46.228	0.02163	33.135	0.03018

EUROPE	Per euro	In euros	Per U.S. dollar	In U.S. dollars
Euro zone euro	1	1	0.7168	1.3951
1-mo. forward	1.0001	0.9999	0.7168	1.3951
3-mos. forward	1.0002	0.9998	0.7169	1.3948
6-mos. forward	1.0008	0.9992	0.7173	1.3940
Czech Rep. koruna-b	25.950	0.0385	18.600	0.0538
Denmark krone	7.4452	0.1343	5.3365	0.1874
Hungary forint	270.24	0.003700	193.70	0.005163
Norway krone	8.1485	0.1227	5.8406	0.1712
Poland zloty	3.9824	0.2511	2.8545	0.3503
Russia ruble-d	42.021	0.02380	30.120	0.03320
Sweden krona	10.1107	0.0989	7.2471	0.1380
Switzerland franc	1.4742	0.6783	1.0567	0.9464
1-mo. forward	1.4740	0.6784	1.0565	0.9465
3-mos. forward	1.4734	0.6787	1.0561	0.9469
6-mos. forward	1.4724	0.6792	1.0554	0.9475
Turkey lira	2.0779	0.4813	1.4894	0.6714
U.K. pound	0.8736	1.1447	0.6262	1.5970
1-mo. forward	0.8738	1.1444	0.6263	1.5967
3-mos. forward	0.8742	1.1440	0.6266	1.5960
6-mos. forward	0.8748	1.1432	0.6270	1.5949
MIDDLE EAST/AFRICA				
Bahrain dinar	0.5260	1.9012	0.3770	2.6524
Egypt pound-a	7.6290	0.1311	5.4683	0.1829
Israel shekel	5.1739	0.1933	3.7085	0.2697
Jordan dinar	0.9881	1.0120	0.7083	1.4119
Kuwait dinar	0.4011	2.4931	0.2875	3.4783
Lebanon pound	2093.42	0.0004777	1500.50	0.0006665
Saudi Arabia riyal	5.2322	0.1911	3.7503	0.2666
South Africa rand	10.4292	0.0959	7.4753	0.1338
United Arab dirham	5.1242	0.1952	3.6729	0.2723
SDR -f	0.8996	1.1116	0.6448	1.5509

a-floating rate b-commercial rate c-government rate c-commercial rate d-Russian Central Bank rate f-Special Drawing Rights from the International Monetary Fund ; based on exchange rates for U.S., British and Japanese currencies.
Note: Based on trading among banks in amounts of $1 million and more, as quoted by Thomson Reuters.

Major stock market indexes

Stock indexes from around the world, grouped by region. Shown in local-currency terms.

Price-to-earnings ratio*	Region/Country	Index	PREVIOUS SESSION Close	PREVIOUS SESSION Net change	PREVIOUS SESSION Percentage change	PERFORMANCE Yr.-to-date	PERFORMANCE 52-wk.
51	**ASIA-PACIFIC**	DJ Asia-Pacific	120.15	1.23	1.03%	-2.4%	40.2%
...	Australia	SPX/ASX 200	4605.33	81.19	1.79	-5.4	31.3
...	China	CBN 600	26029.32	-77.38	-0.30%	-10.4	50.3
18	Hong Kong	Hang Seng	20272.18	28.43	0.14	-7.3	58.7
18	India	Sensex	16163.44	-192.59	-1.18	-7.5	76.7
...	Indonesia	Jakarta Composite	2580.251	-7.298	-0.28	1.8	97.8
...	Japan	Nikkei Stock Average	10371.09	166.07	1.63	-1.7	32.5
...		Topix	912.82	14.21	1.58	0.6	18.0
...	Malaysia	Kuala Lumpur Composite	1263.76	4.60	0.37	-0.7	43.7
...	New Zealand	NZSX-50	3147.366	-3.602	-0.11	-2.6	13.2
9	Pakistan	KSE 100	9595.24	3.74	0.04	2.2	78.2
13	Philippines	Manila Composite	2864.18	-19.03	-0.66	-6.2	56.8
...	Singapore	Straits Times	2720.87	-15.30	-0.56	-6.1	58.9
11	South Korea	Kospi	1595.81	-10.63	-0.66	-5.2	37.2
20	Taiwan	Weighted	7429.61	-95.06	-1.26	-9.3	69.9
10	Thailand	SET	694.07	-3.54	-0.51	-5.5	61.2
58	**EUROPE**	DJ Stoxx 600	250.85	2.43	0.98	-0.9	32.2
23		DJ Stoxx 50	2513.28	22.45	0.90	-2.5	27.2
70	**Euro Zone**	DJ Euro Stoxx	266.95	3.35	1.27%	-2.9%	29.3%
21		DJ Euro Stoxx 50	2831.92	38.63	1.38	-4.5	26.3
20	Denmark	OMX Copenhagen	336.46	-0.31	-0.09%	6.6	41.3
20	Finland	OMX Helsinki	6801.35	46.37	0.69	5.3	35.4
18	France	CAC-40	3812.13	50.12	1.33	-3.2	27.8
23	Germany	DAX	5709.66	55.18	0.98	-4.2	30.5
15	Italy	FTSE MIB	22413.74	401.74	1.83	-3.6	26.9
...	Netherlands	AEX	334.04	2.73	0.82	-0.4	33.2
...	Russia	RTSI	1498.75	27.96	1.90	5.0	192.5
10	Spain	IBEX 35	11140.9	145.7	1.33	-6.7	33.2
14	Switzerland	SMI	6550.12	53.79	0.83	0.1	25.5
...	Turkey	ISE National 100	55147.64	-378.37	-0.68	4.4	114.9
15	U.K.	FTSE 100	5283.31	35.90	0.68	-2.4	26.9
18	**AMERICAS**	DJ Americas	288.21	0.13	0.05	-2.8	37.7
...	Brazil	Bovespa	66995.25	423.52	0.64	-2.3	68.5
...	Argentina	Merval	2330.80	16.99	0.73	0.4	117.7
20	Mexico	IPC	30813.05	421.44	1.39	-4.1	56.1

*P/E ratios use trailing 12-months, as-reported earnings
European and Americas index data are as of 12:00 p.m. ET.

Sources: Thomson Reuters; WSJ Market Data Group

Thomson Reuters is the primary data provider for several statistical tables in The Wall Street Journal, including foreign stock quotations, futures and futures options prices, and foreign exchange tables. Reuters real-time data feeds are used to calculate various Dow Jones Indexes.

Dow Jones and Dow Jones Stoxx Indexes

Dividend yield*	Price-to-earnings ratio*	Dows Jones Index	Last	Net change	PERFORMANCE Daily	PERFORMANCE Year-to-date	PERFORMANCE 52-wk.	PERFORMANCE Three-yr., annualized
2.22%	20	**DJ Global Index**	220.03	1.04	0.47%	-3.0%	39.2%	-8.1%
1.94	20	**Global DOW**	1906.14	9.72	0.51	-3.9	37.2	-4.6
2.34		**Asia/Pacific 600**	114.20	1.95	1.74	-0.4	31.6	-8.6
1.81	15	**Emerging Markets**	265.34	0.74	0.28	-5.2	78.6	1.2
2.18	51	**Asia/Pacific**	120.15	1.23	1.03	-2.4	40.2	-6.9
2.48	17	**Asia/Pacific ex-Japan**	294.78	0.57	0.19	-6.5	73.9	-2.0
2.65	22	**Southeast Asia**	150.55	-0.98	-0.65	-6.4	77.1	-0.5
0.91	26	**CBN China 600** -c	26029.32	-77.38	-0.30	-10.4	50.3	13.5
0.93	29	**Shanghai**	349.81	-0.93	-0.27	-9.8	50.0	13.5
0.62	43	**Shenzhen**	380.93	-1.72	-0.45	-8.5	72.0	20.5
2.39	18	**China Offshore 50**	3733.50	1.59	0.04	-8.4	59.8	4.9
7.46	10	**Australia LPT** -c, d	1156.79	45.03	4.05	-0.5	19.2	-22.8

Dividend yield*	Price-to-earnings ratio*	Dows Jones Index	Last	Net change	PERFORMANCE Daily	PERFORMANCE Year-to-date	PERFORMANCE 52-wk.	PERFORMANCE Three-yr., annualized
2.13%	15	**Islamic Market**	1912.51	5.22	0.27%	-3.2%	36.1%	-3.3%
2.43	15	**Islamic Market 100**	2056.60	4.35	0.21	-3.1	24.8	-3.8
9.45		**Bahrain**	124.21	-0.07	-0.06	2.0	-9.8	-12.3
2.98	46	**Kuwait**	188.76	1.44	0.77	-3.0	-2.8	-17.0
2.66	18	**Sustainability**	969.50	5.76	0.60	-4.3	39.3	-9.1
2.53	58	**Stoxx 600 -p**	257.81	1.44	0.56	-5.2	44.7	-11.1
4.09	18	**Stoxx Select Div 30 -p**	1704.79	10.12	0.60	-5.1	45.6	-22.9
3.67	25	**Euro Stoxx Sel Div 30 -p**	2028.05	12.28	0.61	-4.7	51.5	-18.7
1.79	24	**DJ U.S. TSM**	11244.00	-11.45	-0.10	-2.2	32.9	-8.4
4.28	15	**U.S. Select Dividend -d**	638.64	-1.27	-0.20	-1.8	29.9	-11.2
4.95		**U.S. REIT**	139.66	-0.85	-0.61	-3.9	36.8	-21.4
		DJ-UBS Commodity -p	130.66	1.61	1.25	-6.1	19.4	-7.4

*Fundamentals are based on data in U.S. dollar. Footnotes: c-in local currency. d-dividends reinvested. p-previous day. Note: All data as of 11:30 a.m. ET.

Source: Dow Jones Indexes

Cross rates

U.S.-dollar and euro foreign-exchange rates in global trading

	US$	A$	£	C$	YUAN	EURO	HK$	RUPEE	RUPIAH	YEN	NZ$	WON	RINGGIT	PH. PESO	S$	S FRANC	TW$	BAHT
U.S.		1.131	0.626	1.060	6.827	0.717	7.767	46.185	9359.79	90.345	1.407	1159.94	3.422	46.400	1.410	1.057	32.055	33.135
Australia	0.884		0.554	0.937	6.036	0.634	6.867	40.832	8274.99	79.874	1.244	1025.51	3.026	41.022	1.246	0.934	28.340	29.295
Britain	1.597	1.806		1.693	10.903	1.145	12.404	73.757	14947.59	144.281	2.248	1852.43	5.466	74.101	2.251	1.687	51.192	52.917
Canada	0.943	1.067	0.591		6.439	0.676	7.326	43.563	8828.33	85.215	1.328	1094.08	3.228	43.765	1.330	0.997	30.235	31.254
China	0.1465	0.166	0.092	0.155		0.105	1.138	6.765	1371.01	13.234	0.206	169.91	0.501	6.797	0.207	0.155	4.695	4.854
Euro	1.395	1.578	0.874	1.479	9.525		10.836	64.435	13058.31	126.045	1.964	1618.30	4.775	64.735	1.967	1.474	44.722	46.228
Hong Kong	0.129	0.146	0.081	0.137	0.879	0.092		5.946	1205.09	11.632	0.181	149.34	0.441	5.974	0.182	0.136	4.127	4.266
India	0.0217	0.0245	0.0136	0.0230	0.1478	0.0155	0.1682		202.66	1.9562	0.0305	25.12	0.0741	1.0047	0.0305	0.0229	0.6941	0.7174
Indonesia	0.0001	0.0001	0.0001	0.0001	0.0007	0.0001	0.0008	0.0049		0.0097	0.0002	0.12	0.0004	0.0050	0.0002	0.0001	0.0034	0.0035
Japan	0.011	0.013	0.007	0.012	0.076	0.008	0.086	0.511	103.60		0.016	12.84	0.038	0.514	0.016	0.012	0.355	0.367
New Zealand	0.711	0.804	0.445	0.753	4.851	0.509	5.518	32.814	6650.13	64.190		824.14	2.432	32.967	1.002	0.751	22.775	23.542
South Korea	0.0009	0.0010	0.0005	0.0009	0.0059	0.0006	0.0067	0.0398	8.07	0.0779	0.0012		0.0030	0.0400	0.0012	0.0009	0.0276	0.0286
Malaysia	0.292	0.330	0.183	0.310	1.995	0.209	2.269	13.495	2734.78	26.397	0.411	338.92		13.557	0.412	0.309	9.366	9.682
Philippines	0.022	0.024	0.013	0.023	0.147	0.015	0.167	0.995	201.72	1.947	0.030	25.00	0.074		0.030	0.023	0.691	0.714
Singapore	0.709	0.802	0.444	0.752	4.842	0.508	5.509	32.760	6639.09	64.084	0.998	822.77	2.428	32.912		0.750	22.737	23.503
Switzerland	0.946	1.070	0.593	1.003	6.461	0.678	7.350	43.709	8857.99	85.501	1.332	1097.76	3.239	43.912	1.334		30.336	31.359
Taiwan	0.031	0.035	0.020	0.033	0.213	0.022	0.242	1.441	291.99	2.818	0.044	36.19	0.107	1.448	0.044	0.033		1.034
Thailand	0.030	0.034	0.019	0.032	0.206	0.022	0.234	1.394	282.47	2.727	0.042	35.01	0.103	1.400	0.043	0.032	0.967	

Source: Thomson Reuters via WSJ Market Data Group

MSCI indexes

Developed and emerging-market regional and country indexes from MSCI Barra as of February. 02, 2010

Dividend yield	Price-to-earnings ratio	Morgan Stanley Index	Last	LOCAL-CURRENCY PERFORMANCE Daily	LOCAL-CURRENCY PERFORMANCE YTD	LOCAL-CURRENCY PERFORMANCE 52-wk.
2.40%	26	**ALL COUNTRY (AC) WORLD***	288.53	n.a.	-3.6%	38.7%
2.50	27	**World (Developed Markets)**	1,129.29	n.a.	-3.4	34.6
1.80	116	**World Small Cap**	187.13	n.a.	-1.6	51.1
2.60	22	**Kokusai (World ex-Japan)**	1,114.68	n.a.	-3.9	37.4
3.00	27	**EAFE**	1,513.57	n.a.	-4.3	35.7
2.10	20	**Emerging Markets (EM)**	934.22	n.a.	-5.6	76.4
2.60	22	**AC ASIA PACIFIC EX-JAPAN**	387.82	n.a.	-6.9	69.9
2.10	22	**AC Far East ex-Japan**	420.50	n.a.	-6.5	64.0
1.70	-36	**Japan**	562.77	-0.22	-1.0	15.0
2.00	19	**China**	59.70	0.67	-7.9	59.5
0.90	37	**China A (China Domestic)**	3,019.16	-1.46	-10.7	56.6
2.70	22	**Hong Kong**	9,593.40	0.74	-5.7	45.6
1.00	20	**India**	667.56	0.49	-5.6	84.1
1.10	16	**Korea**	457.18	0.18	-4.9	42.9
2.40	19	**Malaysia**	463.64	0.00	-1.3	41.6
3.10	17	**Singapore**	1,525.45	-0.07	-6.1	54.8
2.60	232	**Taiwan**	271.17	-1.90	-8.4	69.9
3.00	18	**Thailand**	284.09	-0.12	-5.8	59.0
4.00	24	**Australia**	933.59	-0.90	-6.7	28.2
5.40	16	**New Zealand**	84.19	-0.49	-3.4	5.0
1.90	32	**US BROAD MARKET**	1,210.19	n.a.	-2.2	34.5
3.40	17	**EUROPE**	86.20	0.59	-2.4	28.8

*Twenty-three developed and 26 emerging markets

Source: MSCI Barra

MARKETS LINEUP

Moving the markets

At right, Japan's benchmark stock index and the biggest movers among the larger Asian stocks indexes and stocks Tuesday. Below each index are its most actively traded stocks. The charts show the percentage change in each index's or stock's value, rather than the point change, for purposes of comparison. The index level or stock price is indicated on each axis. All indexes and stocks are shown in local currency terms.

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Asian index movers...

Nikkei Stock Average
Japan 10371.09
▲ **1.63% or 166.07**

The rise was fueled by short-covering in auto makers such as Toyota and Honda. Exporters climbed on a weaker yen and strong U.S. manufacturing data.

Stock	Volume in millions	Close	Change Net	Change %
Mizuho Financial	**93.70**	180	2	1.12
Toshiba	**87.59**	458	–9	–1.93
Nippon Steel	**50.61**	334	7	2.14
Mtshbsh Fin Grp	**50.21**	478	5	1.06
Nomura Hldgs	**45.46**	705	26	3.83

ASX 200
Australia 4605.30
▲ **1.79% or 81.19**

Shares gained after the country's central bank unexpectedly left monetary policy unchanged. Materials, energy and property trusts surged.

Stock	Volume in millions	Close	Change Net	Change %
GPT Group	**54.29**	0.60	0.03	5.26
Sp Austnet	**51.15**	0.87	unch	...
Telstra	**48.16**	3.38	0.06	1.81
Boart Longyear	**42.78**	0.34	0.02	4.69
OZ Minerals	**41.95**	1.07	0.03	2.88

Sensex
India 16163.44
▼ **1.18% or 192.59**

A selloff in bank stocks and heavyweight Reliance Industries dragged shares lower. Auto stocks fell on profit-taking, even as the companies reported higher January sales.

Stock	Volume in millions	Close	Change Net	Change %
Hindalco-A	**3.19**	151.15	1.95	1.31
Jaiprak Asso-A	**2.84**	135.35	–5.25	–3.73
Dlf-A	**2.51**	326.20	–6.75	–2.03
Tata Steel-A	**2.16**	572.30	–5.65	–0.98
Reliance Com-A	**1.14**	168.95	–4.85	–2.79

Kospi
South Korea 1595.81
▼ **0.66% or 10.63**

Losses in auto makers and tech stocks outpaced gains in steelmakers. Hyundai Motor and Samsung Electronics fell. Posco and Hyundai Steel rose.

Stock	Volume in millions	Close	Change Net	Change %
Korea Data Sys	**107.33**	395	50	14.49
Samyang Optics	**25.79**	1,375	25	1.85
Hansol Homedeco	**15.94**	1,610	210	15.00
First Tech Elec	**12.12**	2,870	–50	–1.71
Hynix Semi	**11.58**	22,000	–1,100	–4.76

Asian stocks in the news

RioZim Ltd
Australia A$71.01
▲ **5.3% or A$3.60**

Australian stocks in the materials sector gained, helped by a surge in their offshore peers.

		PERCENTAGE CHANGE Daily	1 wk.	52 wks
Price-to-earnings ratio	**154**			
Earnings per share, past four quarters	**0.46**			
Dividend yield	**none**			
Basic Resources		**2.1%**	-4.1%	70.6%
RioZim Ltd		**5.3%**	-3.2%	97.7%

Macquarie Office Tr
Australia A$0.30
▲ **5.4% or A$0.02**

The property trusts's shares advanced amid strength in the sector.

		PERCENTAGE CHANGE Daily	1 wk.	52 wks
Price-to-earnings ratio	**none**			
Earnings per share, past four quarters	**-0.42**			
Dividend yield	**none**			
Real Estate		**1.4%**	-1.0%	46.9%
Macquarie Office Tr		**5.4%**	-1.7%	63.9%

Mitsui
Japan ¥1,368
▲ **5.8% or ¥75**

The firm's shares rose after it raised its profit forecast for the full year.

		PERCENTAGE CHANGE Daily	1 wk.	52 wks
Price-to-earnings ratio	**18**			
Earnings per share, past four quarters	**76.50**			
Dividend yield	**1.2**			
Indus Gds & Svcs		**1.8%**	-1.1%	52.8%
Mitsui		**5.8%**	1.3%	41.2%

Isuzu Motors
Japan ¥205
▲ **6.2% or ¥12**

The auto maker benefited from enthusiasm in the sector, which got a jump-start from Toyota.

		PERCENTAGE CHANGE Daily	1 wk.	52 wks
Price-to-earnings ratio	**none**			
Earnings per share, past four quarters	**-11.20**			
Dividend yield	**none**			
Indus Gds & Svcs		**1.8%**	-1.1%	52.8%
Isuzu Motors		**6.2%**	6.2%	99.0%

Macarthur Coal
Australia A$9.89
▲ **13.0% or A$1.14**

Citigroup upgraded the stock to buy from hold following its recent selloff.

		PERCENTAGE CHANGE Daily	1 wk.	52 wks
Price-to-earnings ratio	**12**			
Earnings per share, past four quarters	**0.79**			
Dividend yield	**1.3**			
Basic Resources		**2.1%**	-4.1%	70.6%
Macarthur Coal		**13.0%**	-4.9%	252.0%

Singapore Airlines
Singapore S$13.66
▼ **1.4% or S$0.20**

Shares fell ahead of the airline reporting a profit after two straight quarters of losses.

		PERCENTAGE CHANGE Daily	1 wk.	52 wks
Price-to-earnings ratio	**none**			
Earnings per share, past four quarters	**-0.08**			
Dividend yield	**2.9**			
Travel & Leisure		**0.3%**	-1.5%	15.5%
Singapore Airlines		**-1.4%**	-0.9%	23.5%

Obayashi
Japan ¥319
▼ **1.5% or ¥5**

The general contractor's shares gave back most of the gains from the previous trading session.

		PERCENTAGE CHANGE Daily	1 wk.	52 wks
Price-to-earnings ratio	**31**			
Earnings per share, past four quarters	**10.30**			
Dividend yield	**2.5**			
Constructn & Matl		**0.4%**	-2.0%	40.4%
Obayashi		**-1.5%**	-2.7%	-21.2%

Toshiba
Japan ¥458
▼ **1.9% or ¥9**

Shares continued to fall after Friday's announcement operating profit was below the firm's target.

		PERCENTAGE CHANGE Daily	1 wk.	52 wks
Price-to-earnings ratio	**none**			
Earnings per share, past four quarters	**-9.40**			
Dividend yield	**none**			
Indus Gds & Svcs		**1.8%**	-1.1%	52.8%
Toshiba		**-1.9%**	-7.3%	62.4%

Minebea
Japan ¥467
▼ **2.3% or ¥11**

The company's shares extended losses for a third consecutive trading day.

		PERCENTAGE CHANGE Daily	1 wk.	52 wks
Price-to-earnings ratio	**34**			
Earnings per share, past four quarters	**13.80**			
Dividend yield	**1.5**			
Indus Gds & Svcs		**1.8%**	-1.1%	52.8%
Minebea		**-2.3%**	-3.9%	46.9%

Fraser & Neave
Singapore S$3.90
▼ **3.7% or S$0.15**

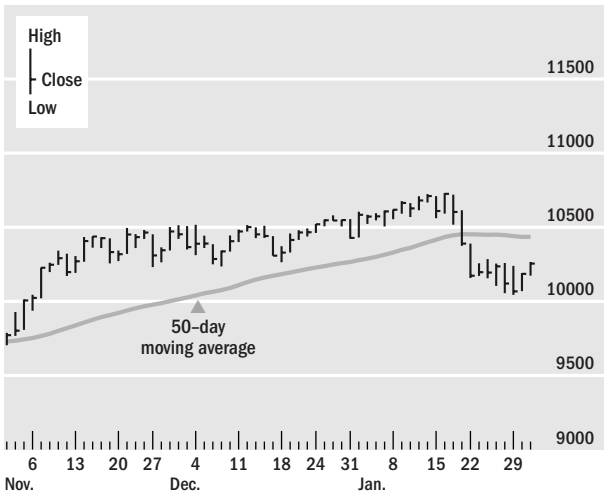
The producer of beer, soft drinks and other products fell, with the shares now trading ex-dividend.

		PERCENTAGE CHANGE Daily	1 wk.	52 wks
Price-to-earnings ratio	**14**			
Earnings per share, past four quarters	**0.27**			
Dividend yield	**3.5**			
Indus Gds & Svcs		**1.8%**	-1.1%	52.8%
Fraser & Neave		**-3.7%**	-7.8%	41.3%

SCANNING THE GLOBE

Dow Jones Industrial Average P/E: 16

LAST: **10254.90** ▲ 69.37, or 0.68%
YEAR TO DATE: ▼ **173.15, or 1.7%**
OVER 52 WEEKS ▲ **2,176.54, or 26.9%**



Nasdaq Composite Index P/E: 22*

LAST: **2176.35** ▲ 5.15, or 0.24%
YEAR TO DATE: ▼ **92.80, or 4.1%**
OVER 52 WEEKS ▲ **660.05, or 43.5%**

S&P 500 Index P/E: 31

LAST: **1096.73** ▲ 7.54, or 0.69%
YEAR TO DATE: ▼ **18.37, or 1.6%**
OVER 52 WEEKS ▲ **258.22, or 30.8%**

*Price-to-earnings ratio for the Nasdaq 100 Note: Price-to-earnings ratios are for trailing 12 months

Sources: WSJ Market Data Group; Birinyi Associates

DJIA component stocks

Stock	Symbol	Volume, in millions	Latest	CHANGE Points	CHANGE Percentage
AT&T	T	**12.00**	$25.74	0.36	**1.40%**
Alcoa	AA	**26.40**	13.65	0.29	**2.17**
AmExpress	AXP	**4.40**	38.84	0.63	**1.65**
BankAm	BAC	**73.60**	15.56	0.14	**0.91**
Boeing	BA	**3.60**	61.09	-0.61	**-0.99**
Caterpillar	CAT	**3.40**	53.15	0.21	**0.40**
Chevron	CVX	**5.20**	74.02	0.44	**0.60**
CiscoSys	CSCO	**22.00**	22.85	0.12	**0.54**
CocaCola	KO	**2.90**	54.81	0.43	**0.79**
Disney	DIS	**3.50**	29.69	0.17	**0.58**
DuPont	DD	**4.10**	33.78	0.12	**0.36**
ExxonMobil	XOM	**15.50**	66.84	0.66	**1.00**
GenElec	GE	**41.30**	16.68	0.43	**2.65**
HewlettPk	HPQ	**7.70**	48.40	0.57	**1.19**
HomeDpt	HD	**7.30**	28.82	0.43	**1.51**
Intel	INTC	**22.90**	19.89	0.28	**1.40**
IBM	IBM	**2.30**	124.62	-0.05	**-0.04**
JPMorgChas	JPM	**23.20**	40.42	0.79	**1.99**
JohnsJohns	JNJ	**4.80**	63.35	0.26	**0.41**
KftFoods	KFT	**8.90**	28.48	0.42	**1.50**
McDonalds	MCD	**2.70**	63.76	-0.13	**-0.20**
Merck	MRK	**5.00**	38.99	0.69	**1.80**
Microsoft	MSFT	**24.30**	28.42	0.01	**0.03**
Pfizer	PFE	**25.60**	18.98	0.19	**1.01**
ProctGamb	PG	**6.20**	62.81	0.82	**1.32**
3M	MMM	**2.00**	80.36	-0.08	**-0.11**
TravelersCos	TRV	**2.10**	50.87	0.18	**0.35**
UnitedTech	UTX	**2.20**	68.16	0.61	**0.90**
Verizon	VZ	**6.10**	29.76	0.15	**0.51**
WalMart	WMT	**4.30**	53.47	-0.01	**-0.03**

U.S. stocks: most active...

Stock	Symbol	Volume, in millions	Latest	CHANGE Points	CHANGE Percentage
Citigroup	C	**160.8**	$3.37	$0.03	**0.90%**
SPDR S&P 500	SPY	**89.9**	109.83	0.77	**0.71**
SiriusXM	SIRI	**81.6**	0.94	0.06	**6.53**
BankAm	BAC	**74.6**	15.56	0.14	**0.88**
FordMotor	F	**54.0**	11.42	0.30	**2.70**
PwrShrs QQQ	QQQQ	**52.2**	43.47	0.21	**0.49**
iShrMSCIEmrgMkt	EEM	**48.8**	39.45	0.14	**0.36**
SPDR FnclSelSct	XLF	**46.4**	14.51	0.09	**0.62**
E Trade	ETFC	**44.7**	1.55	–0.05	**–2.83**
SprintNextel	S	**43.2**	3.52	0.18	**5.39**
GenElec	GE	**41.4**	16.67	0.42	**2.58**
DrxFinancBear 3x	FAZ	**30.0**	18.68	–0.37	**–1.94**
QwestComm	Q	**29.9**	4.40	0.18	**4.27**
XOMA	XOMA	**27.2**	0.43	–0.22	**–33.88**
Alcoa	AA	**27.0**	13.65	0.29	**2.17**

Biggest gainers...

ComsysITPtnr	CITP	**6,249.7**	$17.47	$4.24	**32.05%**
RudolphTch	RTEC	**1,233.5**	8.45	1.68	**24.82**
NAmerEngyPtnr	NOA	**379.3**	8.49	1.42	**20.08**
BnkCarolinas	BCAR	**4.8**	5.28	0.84	**18.81**
FSI Int	FSII	**1,018.0**	3.00	0.44	**17.19**

...Biggest losers

PalmHarbor	PHHM	**38.3**	$2.13	-$0.29	**-12.07%**
FstBcp	FBP	**2,058.2**	2.09	-0.28	**-11.81**
ReadyMix	RMX	**23.7**	2.19	-0.26	**-10.41**
SilicnMotnTch	SIMO	**1,604.0**	2.87	-0.33	**-10.31**
DST Sys	DST	**1,896.3**	40.62	-4.65	**-10.27**

ADRs of Asian companies*

52-WEEK High	52-WEEK Low	Stock	Symbol	Volume, in OOOs	Latest	CHANGE Points	CHANGE Percentage
$11.69	$6.88	**Taiwan Semi**	TSM	**8,882.0**	$9.96	-0.12	**-1.19%**
82.74	33.09	**BHP Billiton**	BHP	**3,574.3**	73.57	1.47	**2.04**
4.24	1.65	**Utd Microelectronics**	UMC	**2,281.4**	3.58	-0.03	**-0.83**
5.23	1.51	**Adv Semi Engrg**	ASX	**1,935.7**	3.89	0.05	**1.30**
9.50	3.96	**Nomura Hldgs**	NMR	**1,926.6**	7.83	0.23	**3.03**
13.30	6.35	**AU Optrncs**	AUO	**1,310.1**	10.94	-0.05	**-0.45**
91.97	56.79	**Toyota Motor**	TM	**1,123.2**	78.93	-1.01	**-1.26**
8.19	3.93	**Siliconware Prec Ind**	SPIL	**1,033.0**	6.57	-0.10	**-1.50**
18.64	12.59	**SK Telecom**	SKM	**894.5**	17.20	-0.13	**-0.75**
15.95	8.65	**China Unicom**	CHU	**722.3**	11.24	0.09	**0.81**
6.84	3.71	**Mitsu UFJ Fnl**	MTU	**718.9**	5.34	0.07	**1.33**
59.22	40.20	**China Mobile**	CHL	**604.2**	49.05	0.63	**1.30**
34.27	10.70	**Aluminum Cp of China**	ACH	**487.0**	26.04	0.23	**0.89**
35.26	15.64	**Sony**	SNE	**363.5**	35.21	1.00	**2.92**
21.78	11.30	**KT Corp**	KT	**360.3**	21.24	0.07	**0.33**
59.13	22.61	**Infosys Tech**	INFY	**354.3**	52.73	-0.13	**-0.25**
81.00	38.70	**China Life Ins**	LFC	**342.1**	66.78	-0.70	**-1.04**
18.20	6.85	**Korea Elec Pwr**	KEP	**290.3**	16.57	-0.09	**-0.54**
135.92	63.94	**PetroChina**	PTR	**263.4**	115.65	1.37	**1.20**
171.59	75.59	**CNOOC**	CEO	**249.7**	151.06	5.76	**3.96**
7.74	2.00	**Alumina**	AWC	**184.7**	5.83	-0.05	**-0.85**
9.82	5.43	**Telecom Corp of NZ**	NZT	**180.7**	8.47	-0.05	**-0.59**
25.65	5.11	**Yanzhou Coal Mining**	YZC	**178.3**	19.83	-0.08	**-0.40**
43.95	21.23	**Canon**	CAJ	**156.6**	40.28	0.93	**2.36**
34.43	21.60	**Huaneng Power Intl**	HNP	**155.0**	24.16	0.15	**0.62**
17.99	13.11	**NTT DoCoMo**	DCM	**132.4**	15.50	0.08	**0.52**
150.50	47.09	**POSCO**	PKX	**132.3**	118.44	1.28	**1.09**
24.51	17.71	**NTT**	NTT	**117.8**	22.11	0.31	**1.42**
37.23	20.72	**Honda Motor**	HMC	**97.6**	34.09	0.31	**0.92**
94.00	46.45	**China Petro & Chem**	SNP	**92.3**	80.27	0.91	**1.15**

*Most active American depositary receipts tracked by Dow Jones

Source: WSJ Market Data Group

Global government bonds

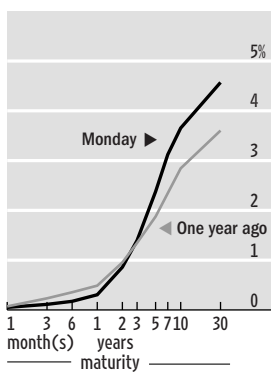
Latest, month-ago and year-ago yields and spreads over or under U.S. Treasurys on benchmark two-year and 10-year government bonds around the world. Data as of 11 a.m. ET

Coupon	Country/ Maturity, in years	Yield	SPREAD OVER TREASURYS, in basis points Latest	Previous	Month ago	Year ago	YIELD Previous	Month ago	Year ago
5.750%	**Australia** 2	**4.395%**	**354.8**	333.4	326.3	**148.6**	**4.205%**	4.411%	**2.386%**
4.500	10	**5.520**	**187.2**	177.6	189.3	**137.6**	**5.440**	5.730	**4.098**
5.000	**Austria** 2	**1.592**	**74.5**	75.6	63.4	**61.3**	**1.627**	1.782	**1.513**
3.900	10	**3.677**	**2.9**	1.6	4.3	**148.5**	**3.680**	3.880	**4.207**
2.000	**Belgium** 2	**1.417**	**57.0**	55.1	-0.2	**60.0**	**1.422**	1.146	**1.500**
3.750	10	**3.737**	**8.9**	7.8	-11.5	**166.7**	**3.742**	3.722	**4.389**
1.500	**Canada** 2	**1.293**	**44.6**	48.1	33.2	**42.9**	**1.352**	1.480	**1.329**
3.750	10	**3.355**	**-29.3**	-27.3	-22.5	**26.8**	**3.391**	3.612	**2.990**
4.000	**Denmark** 2	**1.883**	**103.6**	102.3	97.4	**170.0**	**1.894**	2.122	**2.600**
4.000	10	**3.537**	**-11.1**	-12.8	-18.6	**100.6**	**3.536**	3.651	**3.728**
3.750	**France** 2	**1.196**	**34.9**	34.3	9.2	**74.0**	**1.214**	1.240	**1.640**
3.750	10	**3.449**	**-19.9**	-20.3	-23.5	**106.5**	**3.461**	3.602	**3.787**
1.250	**Germany** 2	**1.140**	**29.3**	27.0	18.0	**57.9**	**1.141**	1.328	**1.479**
3.250	10	**3.191**	**-45.7**	-47.0	-45.6	**53.9**	**3.194**	3.381	**3.261**
0.550	**Hong Kong** 2	**0.691**	**-15.6**	-19.1	-53.6	**-9.9**	**0.680**	0.612	**0.801**
2.160	10	**3.072**	**-57.6**	-64.4	-117.7	**-92.8**	**3.020**	2.660	**1.794**
5.000	**Italy** 2	**1.848**	**100.1**	98.8	41.7	**140.4**	**1.859**	1.565	**2.304**
4.250	10	**4.053**	**40.5**	38.8	30.2	**188.6**	**4.052**	4.139	**4.608**
0.200	**Japan** 2	**0.165**	**-68.2**	-70.6	-99.8	**-45.2**	**0.165**	0.150	**0.448**
1.300	10	**1.355**	**-229.3**	-232.7	-254.6	**-142.7**	**1.337**	1.291	**1.295**
2.500	**Netherlands** 2	**1.197**	**35.0**	30.9	-27.9	**91.1**	**1.180**	0.869	**1.811**
4.000	10	**3.395**	**-25.3**	-26.9	-28.1	**123.4**	**3.395**	3.556	**3.956**
3.200	**Portugal** 2	**2.282**	**143.5**	128.4	27.4	**109.6**	**2.155**	1.422	**1.996**
4.750	10	**4.467**	**81.9**	72.3	22.8	**182.9**	**4.387**	4.065	**4.551**
5.350	**Spain** 2	**1.807**	**96.0**	88.3	43.3	**144.1**	**1.754**	1.581	**2.341**
4.000	10	**4.051**	**40.3**	38.2	15.0	**166.8**	**4.046**	3.987	**4.390**
2.750	**Switzerland** 2	**0.535**	**-31.2**	-33.3	-53.2	**-38.9**	**0.538**	0.616	**0.511**
2.250	10	**2.013**	**-163.5**	-164.5	-182.0	**-62.9**	**2.019**	2.017	**2.093**
3.250	**U.K.** 2	**1.222**	**37.5**	35.9	14.2	**61.5**	**1.230**	1.290	**1.515**
4.500	10	**3.908**	**26.0**	24.5	17.6	**97.6**	**3.909**	4.013	**3.698**
0.875	**U.S.** 2	**0.847**	**...**	...	...	**...**	**0.871**	1.148	**0.900**
3.375	10	**3.648**	**...**	...	...	**...**	**3.664**	3.837	**2.722**

Source: Thomson Reuters

U.S. Treasury yield curve

The curve shows the yield to maturity of current bills, notes and bonds; all data as of 3 p.m. ET.



Ryan Index	Yield to maturity	Modified duration	TOTAL RETURN Month to-date	Quarter to-date	Year to-date	12-month
30-year Treasury	**4.570%**	16.18	–0.95%	1.46%	1.46%	–11.61%
10-year Treasury	**3.654**	8.18	–0.34	1.83	1.83	–3.29
7 Year Treasury	**3.122**	6.24	–0.21	2.10	2.10	...
Five-year Treasury	**2.377**	4.70	–0.10	1.55	1.55	2.04
Ryan Index	**2.663**	6.69	–0.28	1.46	1.46	–0.88
3 Year Treasury	**1.397**	2.88	–0.06	1.08	1.08	3.02
Two-year Treasury	**0.859**	1.98	–0.04	0.73	0.73	2.25
1 Year Treasury	**0.305**	0.95	–0.01	0.19	0.19	1.22
Six-month Treasury	**0.173**	0.50	–0.01	0.03	0.03	0.64
Ryan Cash Index-a	**0.160**	0.44	–0.01	0.06	0.06	0.59
Three-month bill	**0.112**	0.25	0.00	0.01	0.01	0.37
One-month bill	**0.051**	0.07	...	...	...	0.14

a-Performance of a cash investment

Source: Ryan ALM

Key money rates

	Latest	52 wks ago
Prime rates		
U.S.	**3.25%**	3.25%
Canada	**2.25**	3.00
Japan	**1.475**	1.475
Britain	**0.50**	1.50
ECB	**1.00**	2.00
Switzerland	**0.53**	0.54
Australia	**3.75**	4.25
Hong Kong	**5.25**	n.a.
Libor		
One month	**0.23094%**	0.44500%
Three month	**0.25031**	1.23375
Six month	**0.38375**	1.77625
One year	**0.84250**	2.08375

	Latest	52 wks ago
Euro Libor		
One month	**0.38813%**	1.72000%
Three month	**0.60688**	2.06125
Six month	**0.92625**	2.15500
One year	**1.20500**	2.25000
Hibor		
One month	**0.07000**	0.37500%
Three month	**0.13000**	0.97571
Six month	**0.24929**	1.32929
One year	**0.53929**	1.72929
Asian dollars		
One month	**0.2436%**	0.45%
Three month	**0.2586**	1.2375
Six month	**0.3980**	1.7675
One year	**0.8550**	2.0850

	Offer	Bid
Eurodollars		
One month	**0.3000%**	0.2000%
Three month	**0.3300**	0.2300
Six month	**0.5500**	0.3500
One year	**0.8500**	0.5000

	Latest	52 wks ago
U.S. discount	**0.50%**	0.50%
Fed-funds target	**0.25**	0.25
Call money	**2.00**	2.00
Overnight repurchase rates		
U.S.	**0.21%**	0.28%
U.K. (BBA)	**0.497**	1.482
Euro zone	**0.30**	1.21

Sources: WSJ Market Data Group; Reuters

HEARD ON THE STREET

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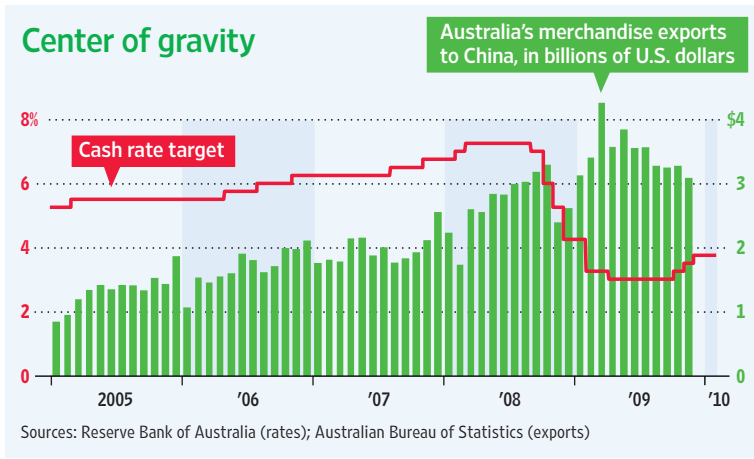
RBA is keeping time to China's clock

The Reserve Bank of Australia is developing a reputation for delivering surprises. Its latest springs from China.

The Australian central bank caught global attention last October when it became the first among major economies to start tightening policy. On Tuesday, with most expecting its series of 0.25 percentage-point rate increases since then to continue, the RBA instead kept its cash rate steady at 3.75%.

There are some reasonable domestic reasons for the RBA to pause. Australian banks have accelerated the pass-through of previous interest-rate rises, while businesses are still finding credit hard to come by. But consider the importance of China to the Australian economy, and the failure to raise rates is even less of a surprise.

Certainly, RBA Gov. Glenn Stevens has done little to hide how much China's outlook affects Australian policy making. It is with good reason: More than a fifth of Australia's goods exports are shipped to China, and 90% of these are commodities, which were in high demand last year as Beijing pumped up investment spending.



In December 2008, when the global economy was reeling, Mr. Stevens pointed to China's slowdown as the most significant development in the global economy. The RBA started raising rates in the fall once it was clear that China's economy was in full-fledged recovery. Fast forward to Tuesday, and the RBA's policy statement singled out signs of China withdrawing economic stimulus as a key detail in the global picture.

But the attention given to Beijing's policy decisions clouds the picture for Australia.

The pace and extent of Beijing's moves to cool China's expansion aren't yet clear. More clarity could emerge in the next six weeks, once the Chinese New Year holidays are done and the Communist Party has held its annual powwow in early March.

Australia's policy making, then, is conforming to the rhythms of the Chinese economic year. With Australian interest rates still in expansionary territory and inflationary pressures building, there seems little doubt the rate increases will eventually resume.

The timetable, though, will be set in accordance with Beijing's clock.

A real investment for resource bulls

Looking for the *real* deal? Brazil's two-year local-currency government bonds are yielding 11.2% right now.

In a world of zero interest rates and jittery stock markets, that sort of return looks tempting. On the face of it, Brazil looks like a better bet than, say, Greece, where two-year euro-denominated government bonds yield just 5.2%, despite a fiscal crisis that is raising concerns about the credibility of the euro itself.

Brazil, meanwhile, enjoys healthy government finances along with high real interest rates, both providing scope for further stimulus if the economy weakens. Foreign reserves ended 2009 at almost $240 billion, according to the Central Intelligence Agency. Credit-default-swap spreads for Brazil's two-year sovereign debt stand at about one percentage point. Greece's are about five times that.

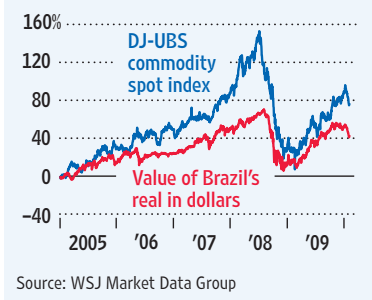
Admittedly, individual investors face difficulties in buying these bonds directly, unless they have a few million to spare. And even institutional buyers should remember that higher rewards tend to carry higher risks. In Brazil's case, there also is a fairly dismal economic history, not least the hyperinflation of the early 1990s. Inflation is much lower now at just 4.3%, but is expected to rise. HSBC forecasts the central-bank target rate to rise to 11.25% by year's end from 8.75%.

Foreign investors holding to maturity, however, care less about Brazilian inflation on such a short horizon. The bigger risk involves currency moves. Brazil's economy is on a sounder footing these days, but commodities markets still exert a big influence.

Maya Bhandari of Lombard Street Research points out that China overtook the U.S. as Brazil's largest trading partner in 2009. A large portion of Brazil's exports to China must be raw materials. The real's exchange rate closely tracks movements in commodity prices, so is quite erratic. Annualized volatility in the exchange rate to the dollar since 2000 was 18%, against the euro's 10%.

Factoring in the recently imposed 2% tax on foreign investments in Brazilian securities, the two-year bond's yield to maturity for a U.S. investor drops to 10%. Now assume that Chinese monetary tightening pushes down commodity prices over the next two years and the real falls with them. Even a modest 10% leg down would slash the dollar-denominated yield to 5.1%, about what is available on U.S. triple-B-rated corporate bonds right now.

Commodity bulls could do worse than Brazilian bonds, although some form of hedge would be prudent.



Tokyo bourse is up to speed; government clearly isn't

Phew! A month of operation and the **Tokyo Stock Exchange**'s new lightning-fast trading system ran without a hitch. But the $140 million system won't reach its full potential until Japan resolves a bug in its tax policy.

A little more than a week after the TSE replaced its old, famously glitch-prone system, more than a billion shares of the tottering **Japan Airlines** traded hands in a single day—a record.

Trading speeds are down to milliseconds—and competitive with those in New York and London. Previously, executing a trade could take two or three seconds, a lifetime in a world of algorithmic trading.

But not everybody is biting, thanks to a gray area in Japan's tax rules. Authorities haven't made clear whether foreign institutional investors who place servers in Japan will be subject to local taxes on their trades, even if those investors have no other physical presence in Japan.

The difference is important. Placing a server within the Tokyo bourse would let traders access the market faster than with a server sitting outside of Japan.

When asked about it, a National Tax Agency official said a foreign entity operating a server in Japan and trading on it could be considered a "permanent entity" for tax purposes. But, he said, the agency couldn't comment immediately on specific cases.

Administrative clarity is needed, but Tokyo's decision-making processes mean several government agencies have to get their say first.

Don't hold your breath.

—James Simms

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